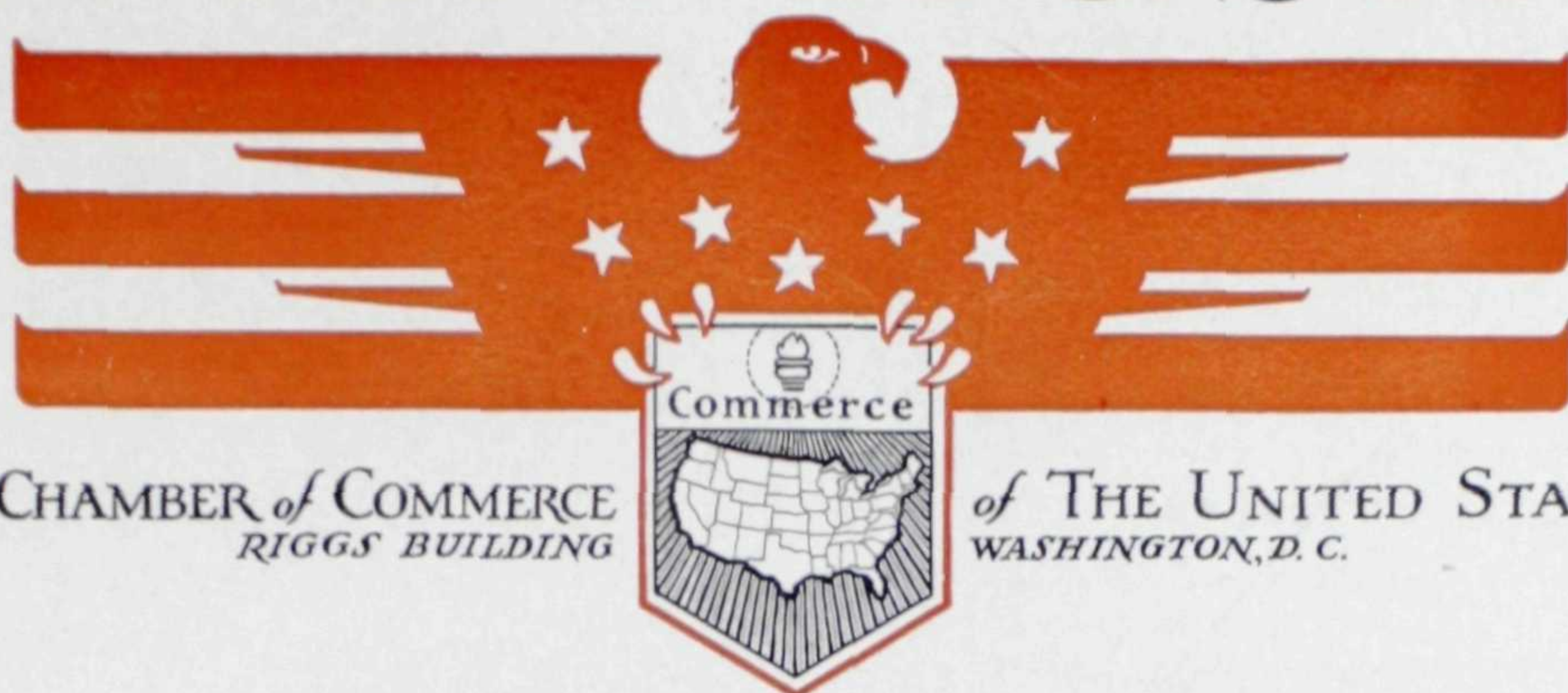


THE Nation's Business

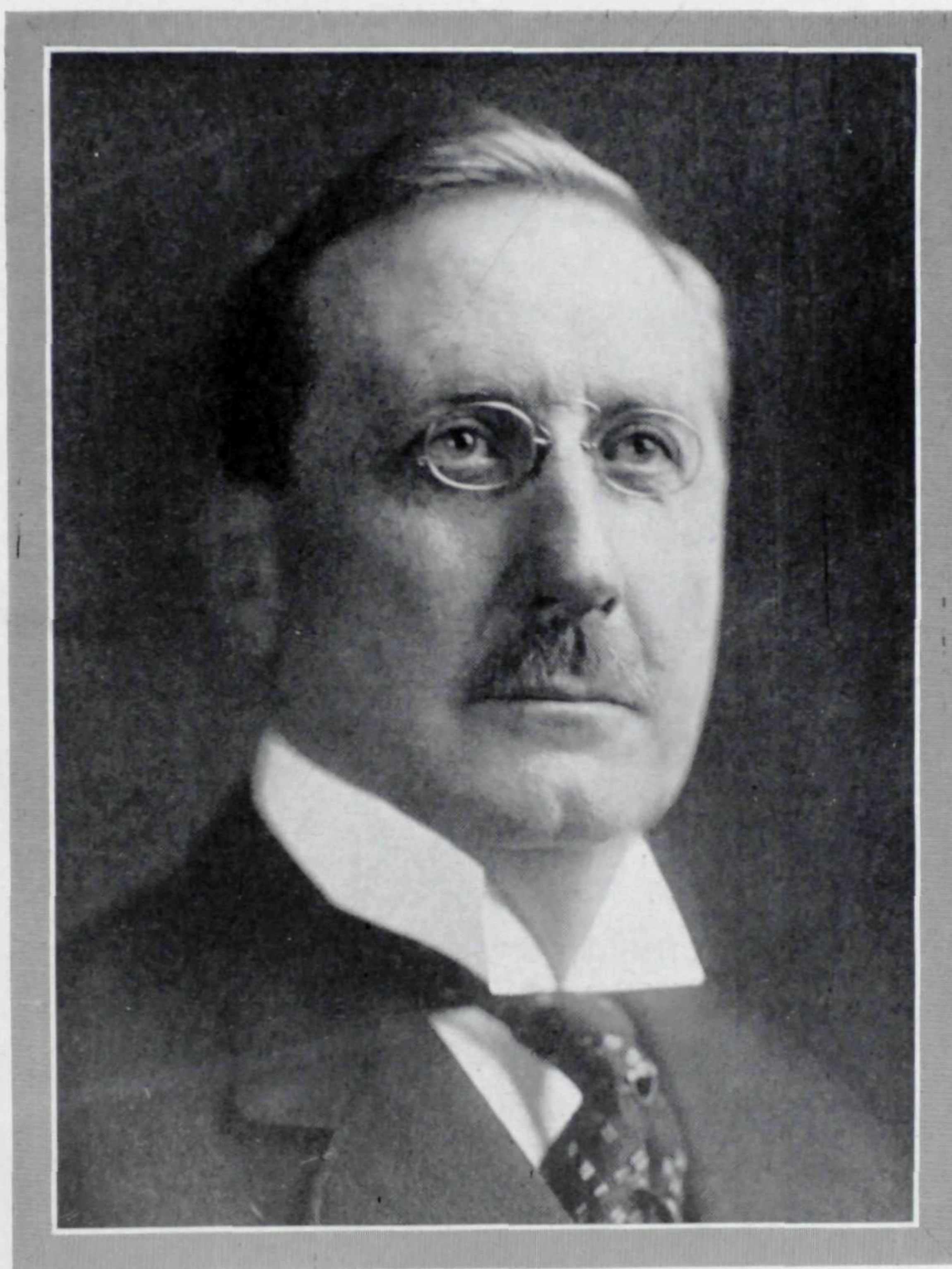
VOL. IV
No. 2
PART II

FEB.
1916



Published by the CHAMBER of COMMERCE
RIGGS BUILDING

of THE UNITED STATES of AMERICA
WASHINGTON, D. C.



©Harris & Ewing

R. G. RHETT

New President of the National Chamber

Proceedings of the Fourth Annual Meeting
of the Chamber of Commerce
of the United States

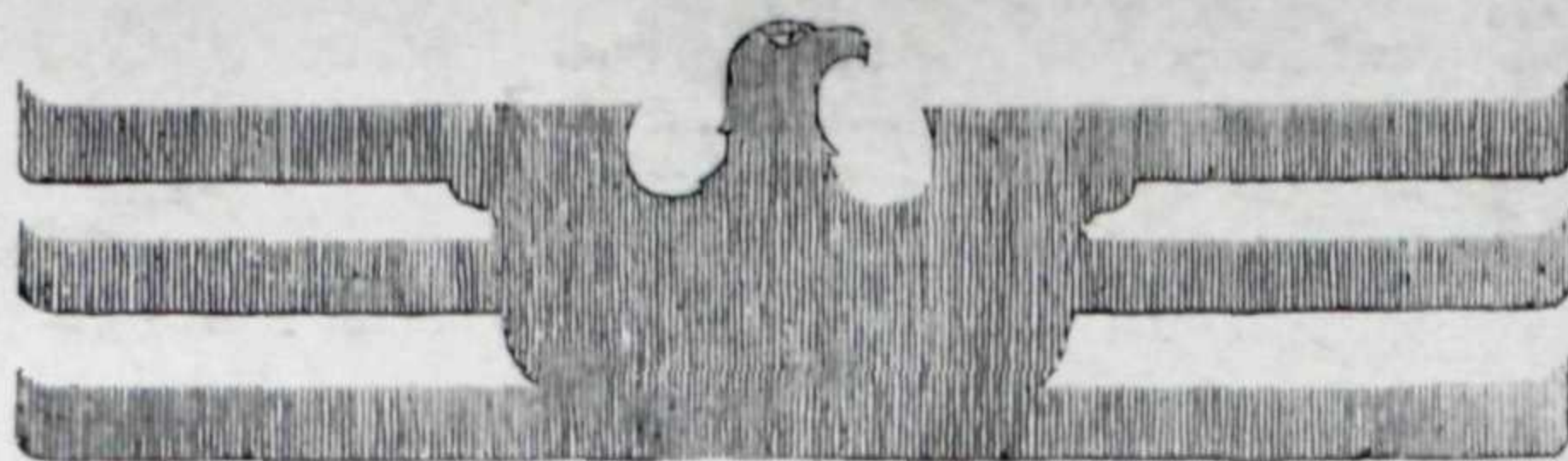


TABLE of CONTENTS

FEBRUARY, 1916.

PROCEEDINGS OF THE FOURTH ANNUAL MEETING

MESSAGE OF THE NEW PRESIDENT	1
STORY OF THE MEETING	2
RESOLUTIONS ADOPTED	4
A NEW PRESIDENT AND NEW DIRECTORS	6
REPORT OF THE BOARD OF DIRECTORS	7

Addresses

PRESIDENT FAHEY	13
THE PRESIDENT OF THE UNITED STATES	18
SECRETARY DANIELS	22
SECRETARY REDFIELD	26
PRESIDENT ELLIOTT OF THE N. Y., N. H. & H. RAILROAD	29
THE CHINESE MINISTER	35
SENATOR FLETCHER	39
EDWARD A. FILENE	44
WILLIAM C. BREED	47

Reports of the National Chamber's Committees

NATIONAL DEFENSE	53
TARIFF COMMISSION	55
MERCHANT MARINE	58
FEDERAL TRADE	63
NATIONAL BUDGET	66
DEPARTMENT OF COMMERCE	70
IMMIGRATION	71
EDUCATION	72
LABOR EXCHANGES	74
INTERNATIONAL COMMERCIAL ARBITRATION	76
FOREIGN RELATIONS	77
THE DEPARTMENT OF COMMERCE AND COMMERCIAL STATISTICS—REMARKS BY SECRETARY REDFIELD	79
STATISTICS AND STANDARDS	81

(Subscribers to THE NATION'S BUSINESS receive this special issue as part of the February number. The price of this double number—the regular issue and these "Proceedings of the Fourth Annual Meeting of the National Chamber"—to others, is 25 cents.)



Facilities for Labor Exchanges

Preliminary Report of the Chamber's Special Committee on Labor Exchanges*

THE Committee on Labor Exchanges since its organization has had opportunity only to consider in a general way the subject with which it is to deal, reserving for a later report a more critical study than is now possible, as well as such recommendations as it may have to submit for consideration.

The technical side of industry has been organized in the United States with great success. Materials are selected with minute care according to chemical analysis. All the arts of engineering have been utilized to provide processes. Machinery which is daily more automatic has been devised to perform the processes and to deliver products of high quality. The part of industrial production which is represented by materials and by plant has been standardized to a point such that experts can readily draw the plans, state the specifications, and erect the plants for new manufacturing businesses. Organization and standardization have by no means stopped at the factory but have extended with intensified vigor to distribution.

In agriculture, too, there has been the same development. American implements have set world standards for efficiency. Methods of cultivation have been improved. Ways of marketing have been contrived which go far toward securing certain markets at remunerative prices. The States and the Federal government cooperate in spending millions yearly to promote the organization and standardization of agricultural processes.

Cost Due to Shifting Labor

To the human labor, however, which is the first requisite for the actual operation of any industrial organization, or any agricultural programme, too little attention in many respects has been given. Take it, for instance, as a mere element in cost of production. In other departments costs have been figured to hundredths of a cent, but the cost due to shifting labor has been taken largely by guess, without much consideration of the gain or loss incident to having men fitted to the duties they perform, the loss accompanying the entrance of a strange man into new surroundings, or the loss which accrues when a man who is fitted to his job and knows it leaves his employment. The cost in these ways to an enterprise has been sensed in a general fashion by many managers, but very often they have not been specifically realized. It has been estimated that for 12 manufacturing establishments employing 40,000 men the loss in one year from discharging men and

employing substitutes has been \$831,000, with no advantages as offset. Commenting on this a mining journal points out that if a new miner is taken to a heading and turned loose on a drill, he is at a loss to know where to look for his wrenches, for the air-pipe connection, for the air valves, and for the other things with which he must work, and while he is trying to get his bearings he may make a mistake and bring on a costly accident.

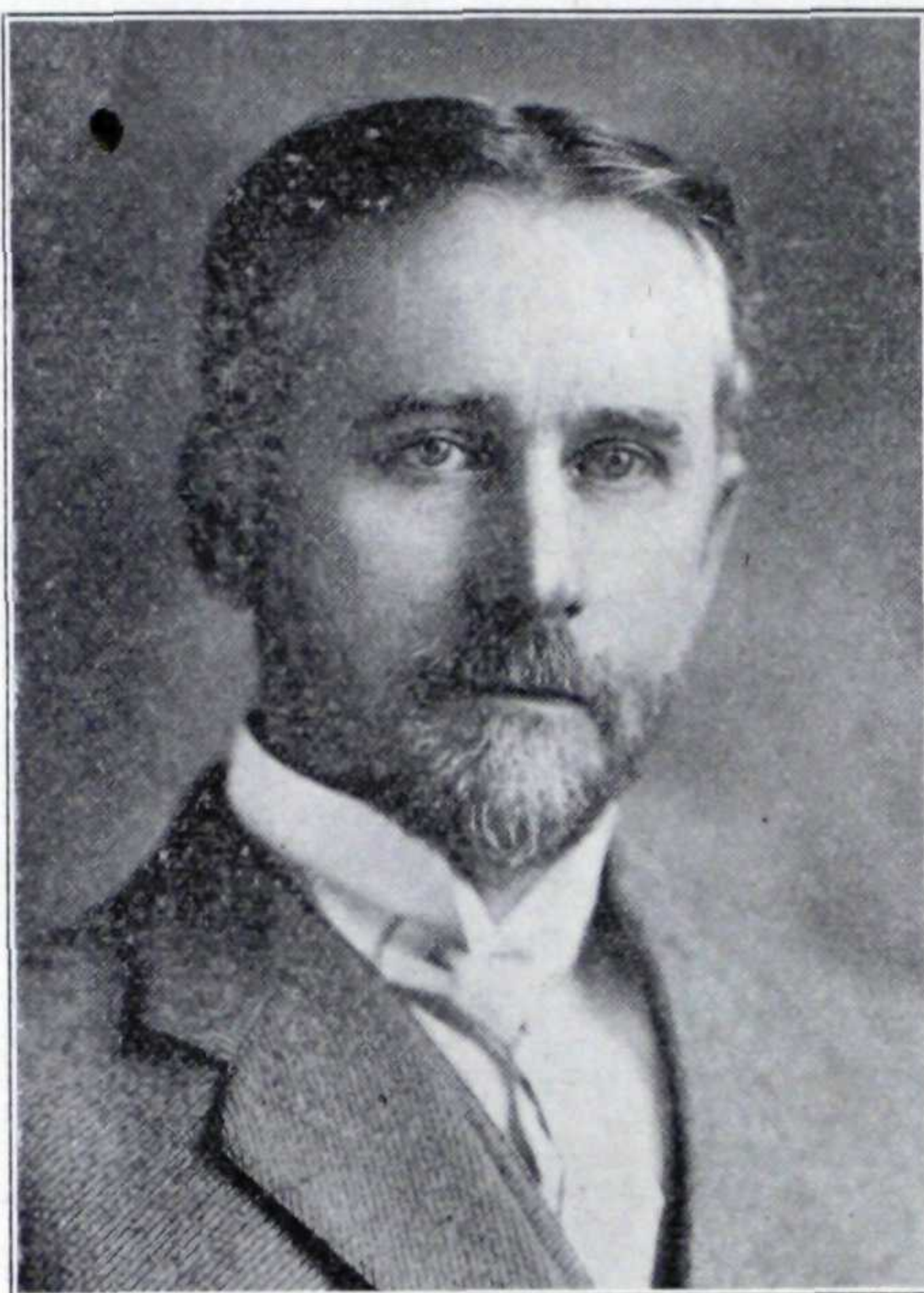
Lack of such scrutiny for the labor problems and costs as has been given in other departments has not only brought loss to the enterprises concerned but has imposed great hardship on the wage-earners. They have had to sustain the losses of unemployment, which are frequently not only economic but social and moral. At best, they have no definite way in which to learn where their labor is needed, and perhaps badly needed, but must use their own time in going from factory gate to factory gate, on the chance of being selected largely at haphazard for work which may prove so unsuitable that it is of short duration. On the other hand, it has happened that unemployed men have gathered at points in the West and been driven from town to town like outcasts. During the grain harvests in the Middle West, men have been so scarce in some parts of the belt of ripened grain that they obtained high wages and had to leave much wheat in the fields, whereas in other parts of

the belt they were so numerous that the wage dropped to \$1.25 a day. Conditions such as these cause good workmen to drop to the status of casual workers and perhaps eventually to the level where their industrial usefulness ceases.

In many ways very intelligent endeavors are being made to prevent unemployment and its consequences. Some plants have found it not only possible but advantageous to make the tenure of jobs so secure that they have reduced their yearly hiring of new hands by 50, 75, and even 90 per cent. Something like one hundred enterprises maintain evening schools for their employees, that their abilities may be broadened and made available at different operations in a factory. But with these activities the Committee on Labor Exchanges is not directly concerned. It has to do rather with the facilities which exist, or can be created, for the employer to obtain without delay the best labor available to fill whatever places he has vacant, even if he has reduced them to a minimum, and for wage earners to find quickly the places which are open to them.

Private Employment Agencies

Private employment agencies have long made a business



©Harris & Ewing

Charles P. Neill, Chairman of the Committee on Labor Exchanges

* The members of the Committee are Charles P. Neill, Chairman; Meyer Bloomfield, Harry L. Day, William Fortune, Henry P. Kendall, William M. Lelserson, William Loeb, Jr., Simon L. Lubin, Charles H. Markham. Presented Feb. 8 before the Fourth Annual Meeting.

The Nation's Business

Special Issue

Proceedings of Fourth Annual Meeting of the Chamber of Commerce of the United States

WASHINGTON, D. C. FEBRUARY 8-10, 1916.

The Mission of the Chamber of Commerce of the United States

By Its New President

THE mission of the Chamber of Commerce of the United States of America is to arouse the business men of the country to a realization of the necessity for cooperation for the protection and promotion of their interests; to point out how it is practicable to obtain this cooperation in a manner that appeals to the highest ideals and is founded upon the best principles of American citizenship.

To do this it must first educate business men on the national questions of the day and then it must gather their enlightened opinions upon these questions as the basis of its activities.

The Referendum is the medium of this education. It must give a clear, concise statement of the questions and the best arguments obtainable on both sides of them. The value of the replies will depend upon the fairness and accuracy of these presentations.

The Chamber is four years old. Is it fulfilling its mission? The answer is to be found in its marvelous growth, not in numbers merely, but in the confidence it has won from so large a part of the country.

And yet its work has hardly begun. It has had to try out methods in order to find which were best adapted to accomplish its purposes.

Each referendum reveals something which it is desirable to add to or alter in the next. Meanwhile, each referendum has aroused greater interest, reached more business men and brought a more forcible, if not a more accurate, judgment.

To enter the service of the Chamber is to expand one's vision and exalt one's ideals. Selfish, sordid, sectional purposes have no place in it. Every part of the country speaks through its referenda, and its purposes must be nation wide.

R. G. RHETT.



©Harris & Ewing

The National Council in Session, February 7, to approve the program for the Fourth Annual Meeting.

The Story of the Fourth Annual Meeting

The Largest and Most Successful in the Chamber's History

(The full addresses, the reports of committees and the resolutions adopted by the Chamber will be found on subsequent pages)

EXPRESSING his belief that a permanent tariff commission and a real American Merchant Marine,—two of the subjects in which the Chamber of Commerce of the United States is deeply interested—would soon be accomplished facts, President Wilson, in his address at a banquet at the New Willard Hotel, February 10, closed the Fourth Annual Meeting of the National Chamber.

The President's address was in the nature of a message to the business men of the United States as represented by the membership of the National Chamber of Commerce. He sees before us an era of prosperity, but warned his hearers of the dread possibility of being drawn into the world war. His address was a business talk, in which he expressed his faith in the recuperative strength of the United States and praised the operation of the Federal Reserve Bank System.

The banquet, which closed the three days' meeting of the National Chamber, was attended by more than eight hundred of the delegates and distinguished guests. A unique feature was a transcontinental telephone demonstration. The diners were delighted by hearing San Francisco and intermediate points talk, and in listening to words of greeting from Governor Johnson of California and Governor Moorehead of Nebraska.

The Chamber's Most Successful Annual Meeting

The banquet and the President's address came as a climax to the largest and most successful annual meeting the Chamber has ever held. There were practically a thousand individual delegates and alternates in attendance representing officially over three hundred organization members of the National Chamber. In addition there were a large number of individual members and guests.

The resolutions adopted will be found elsewhere in these

pages. The speeches, as well as the reports of committees, are also given.

The Story of the Sessions

Preliminary to the opening session, the National Council met (on February 7) to approve the program and elect the nominating committee of the Fourth Annual Meeting. The regular sessions of the meeting began Tuesday morning when the delegates were called to order by President Fahey and the convention committees were appointed. A review of the work of the year was given in the report of the Board of Directors, the development in organization and individual memberships was noted, a favorable financial condition reported and the general activities of the Chamber summarized. During the year 1915, it was noted, three referenda were taken. These were on (1) a merchant marine, (2) on improving our commercial service abroad and (3) on a business method for assuring future world peace. The sending out of a new referendum, number 12, now before the members of the Chamber, on the Seamen's Act, was also noted.

President John H. Fahey, in his annual address delivered on the morning of February 8, urged American business men to be less partisan. He reviewed the history of the National Chamber and emphasized its democratic character and its influence upon national legislation. "The day of in-direction," he said, "passed long ago. All we want is to have our causes considered dispassionately in the plain light of day, and we are confident that the right kind of verdict will usually result."

The reports of the Chamber's special committees on important national business subjects were presented by the different chairmen and discussed in open meeting.

National Defense

The preliminary report of the Committee on National Defense was read by the Acting Chairman, Mr. Bascom Little of Cleveland and approved. It called for the establishment of a Council of National Defense, a staff of Industrial Mobilization, a General Staff for the Navy, direct and absolute control of federal authorities over all military forces. The report urged that in a democracy equal rights means equal obligations and that no system of defense could suffice which did not provide, back of the army and navy, the entire organized and trained manhood of the Nation. The report will be perfected and formulated by the Board of Directors for a referendum.

Permanent Tariff Commission

The Committee on Permanent Tariff Commission, reporting through its chairman, Mr. Daniel P. Morse of New York, noted with approval the stand taken by the administration in favor of a tariff commission and referred to the patient efforts and work of the Chamber since its referendum on the subject (in April, 1913) as an admittedly strong influence in bringing about the present prospects for the establishment of a permanent non-partisan tariff commission.

Merchant Marine

One of the objects most earnestly sought by the National Chamber has been a real American merchant marine. The recommendations of its committee which were submitted to referendum and adopted in May, 1915, committed the Chamber to the advocacy of a federal shipping board and to government aid and supervision—under certain circumstances—to the country's shipping. The report at the annual meeting presented by Chairman William H. Douglas of New York, reaffirmed the Chamber's attitude, analyzed and commented on the government's shipping bill now pending in Congress.

Labor Exchanges

A preliminary report of the new committee on Labor Exchanges was presented by its chairman, Mr. Charles P. Neill of Washington, former commissioner of labor. The committee announced its purpose of studying, and reporting at a later date, on the problem of the shifting of the labor supply and of the proper functions and scope of a labor exchange.

International Commercial Arbitration

A special committee on Arbitration with Argentina (an outgrowth of a project initiated at the Pan-American Financial Conference) reported that the Chamber of Commerce of Buenos Aires had substantially agreed with the Chamber of Commerce of the United States

upon a code for the arbitration of commercial disputes between the business men of this country and those of Argentina.

Department of Commerce

The Chamber's Committee on the Department of Commerce, through its chairman, A. W. Shaw of Chicago, reported the activities and investigations which led up to the referendum approved by the membership in December, on enlarging the scope and activities of the Bureau of Foreign and Domestic Commerce, and the improvement and Americanization of the Consular Service. The committee also reported progress in its work in considering the problems of the Steamboat Inspection Service.

Federal Trade Commission

Mr. Harry A. Wheeler, former president of the National Chamber, reported as chairman of the committee on the Federal Trade Commission. The committee recently issued a statement obtained after a series of interviews with the Department of Justice in which the Attorney General sets forth the attitude of the Department with regard to the enforcement of the anti-trust laws.

Immigration

Mr. Frank Trumbull, chairman of the board of the M. K. & T. Railroad, as chairman, reported on the work of the Committee on Immigration. Insisting that immigration and the way we handle its problems lie at the bottom of our industrial conditions, Mr. Trumbull described the headway that has been made in furthering the Americanization movement among national and local organizations.

National Budget

A report of progress of the committee on National Budget was made by Mr. R. G. Rhett, President of the People's National Bank of Charleston, S. C., and now President of the National Chamber. The National Chamber has repeatedly gone on record in favor of a national budget. The open meeting adopted a resolution favoring the continuation of the committee's work. The committee's report was accompanied by a series of elaborate tabulations—reproduced later in these pages in connection with the report—to illustrate how government finances can be systematized.

Vocational Education

The importance of the question of vocational education was emphasized by Mr. Frederick Geier, chairman of the Chamber's committee dealing with that subject. The committee commended the policy of Federal aid to vocational education through grants to the states, but recommended the establishment of a government board representing agriculture, industry, commerce and



*The New Willard Hotel, Washington,
Where Most of the Sessions Were Held*

general and vocational education to advise and guide the states in this matter.

Foreign Relations

The Committee on Foreign Relations made its report through its Chairman, Hon. Charles H. Sherrill, former minister from the United States to Argentina. Calling attention to the fact that it has been the custom in our country for the State Department to conclude trade treaties without the aid of business men affected by such treaties. Mr. Sherrill announced that the committee now plans to prepare for the new commercial agreements which will be necessary at the end of the European war, and asked the organizations represented at the meeting for their advice and suggestion.

Statistics and Standards

The presentation of the report of the Committee on Statistics and Standards was the occasion for bringing out the desire of Secretary Redfield for cooperation between the Bureau of Foreign and Domestic Commerce and the Chamber's Committee, in the compilation of statistics. The Chairman, Mr. A. W. Douglas of St. Louis, vice president of the Simmons Hardware Company, enumerated the valuable reports on general business and agricultural conditions which had been sent out by the Committee during the year.

Organization Service Bureau

The Advisory Committee of the Organization Service

Bureau of the Chamber presented through its chairman, Mr. S. Cristy Mead, Secretary of the Merchants' Association of New York; a report on the contemplated scope and field of the new bureau's activities.

Maintenance of Resale Prices

Professor Paul Cherington, of the Harvard Graduate School of Business Administration, as chairman, presented for the Committee on the Maintenance of Resale Prices, a short statement in regard to the work of his committee which resulted in a report which will be submitted for referendum to the entire membership of the Chamber.

Exhibits and Entertainment

The delegates and guests were instructed and entertained by a commercial exhibit in connection with the Annual Meeting of the Chamber made by the Department of Commerce. This exhibit graphically depicted important phases of the work done by the Department for American business, and included exhibits by the following bureaus: Standards, Lighthouses, Coast and Geodetic Survey, Census, Fisheries, Navigation, Steamboat Inspection and Foreign and Domestic Commerce. The delegates appreciated also a lecture on the "Columbia Highway," illustrated by beautiful colored views, given at the New Willard Hotel, by the Portland Chamber of Commerce on the evening of February 9.

Resolutions of the Fourth Annual Meeting

THE following resolutions were adopted on February 10 by the Chamber of Commerce of the United States:

Dumping Legislation

WHEREAS, the European conflict has produced abnormal economic conditions abroad; and

WHEREAS, articles produced under such conditions may represent a larger percentage of the probable imports after the close of the war; and

WHEREAS, such importations would be highly detrimental to our industries, without proper consideration being given to the conditions under which such goods have been produced;

RESOLVED, that the Chamber of Commerce of the United States of America petition the President and Congress to take prompt action to refer this question to such governmental agency as is best equipped to ascertain all facts in the case and base thereon all necessary legislation in order to prevent such abnormal foreign competition.

Industrial Protection

WHEREAS, the present disturbed condition of commerce has caused a suspension of the importation of various goods either not manufactured or produced in the United States or only produced to a limited extent, and

WHEREAS, this condition has clearly demonstrated the wisdom of making adequate provision for the fullest development of this country in respect to agriculture, commerce and military preparedness, therefore, be it

RESOLVED, by the Chamber of Commerce of the United States of America in Fourth Annual Meeting assembled that Congress be requested to make an investigation through an appropriate agency to ascertain the industries which in the National public interest should be developed and enact legislation to promote such development.

Industrial Efficiency

Upon this subject resolutions were adopted by the Chamber of Commerce of the United States at its Third Annual Meeting and the Committee recommended that the action of the Third Annual Meeting be reaffirmed in the following resolution:

WHEREAS, the Chamber of Commerce of the United States assembled in its Third Annual Meeting urged that Congress should reject the so-called Deitrich amendment to a pending appropriation bill in so far as this amendment sought to prevent the study of methods to increase industrial efficiency in manufacturing establishments of the Government and to forbid additional compensation to employees as a reward for improvement in skill and effort;

WHEREAS, no legislative enactment of any kind should have as its purpose interference with the development of industrial efficiency in ways which comport with the public interest; now therefore be it

RESOLVED, that the Chamber of Commerce of the United States in Fourth Annual Meeting assembled emphatically reaffirms the attitude it has previously taken upon this question.

State Chambers of Commerce

In view of the increasing number of State chambers of commerce and the possibilities for co-ordinating their endeavors along lines which will prove most useful to the local organizations as well as to the Chamber of Commerce of the United States of America, be it

RESOLVED, that the Board of Directors of the Chamber of Commerce of the United States of America be authorized to appoint a committee, in accordance with Article XI, Section I of the By-Laws, to be known as "Committee on State Chambers of Commerce," for the purpose of thoroughly and impartially investigating the need, field, and scope of State chambers of commerce in each state; of recommending methods to standardize, so far as possible, the State organizations already established; of encouraging the formation of additional State bodies where required; and of developing plans whereby these associations may bring the local organizations into closer touch with the Chamber of Commerce of the United States of America.

Railroads

WHEREAS, it has come to the attention of the Chamber of Commerce of the United States of America that grave differences are impending between the railroads and certain of their employees which, if not adjusted may result in serious interruption to transportation, and

WHEREAS, such an interruption of the traffic operations of the United States would be a national calamity and—if arising through arbitrary action of either side without the questions in dispute being submitted to a careful and impartial analysis—would constitute an act inimical to public welfare and fraught with grave consequences, be it therefore

RESOLVED, that it is the sense of the Chamber of Commerce of the United States of America that the parties to the controversy should and in the interest of the public weal must settle their differences without recourse to measures that would impair the public service; and be it further

RESOLVED, that the Board of Directors of the Chamber of Commerce of the United States appoint a committee which shall carefully and impartially investigate and consider such phases of this critical situation as relate to the interests of commerce and the public and shall from time to time report to the Board of Directors as to the best means of preserving the public service unimpaired.

Civil Service Retirement

WHEREAS, from time to time during several recent years various committees of Congress, and others, have made investigations and studies in connection with efficiency in Government service and economy in connection with the expenditures, and have uniformly recognized the necessity of some Civil Service Pension and Superannuation plan, which will treat old and faithful employees with fairness, but which, by permitting of their being retired, will give

greater incentive and opportunity to younger employees, and greater efficiency and despatch in the conduct of Governmental affairs; and

WHEREAS, a large number of business institutions have already promulgated and keep in effect successful and satisfactory plans for meeting similar problems in their own business, setting an example thereby which the Government and others might well adopt; and

WHEREAS, it is deemed by the delegates in attendance at the annual meeting of the Chamber of Commerce of the United States that this subject is one which needs careful attention and business-like consideration, and one in which the business interests of the country should co-operate with Members of Congress and others interested in securing efficiency and economy in the transaction of Government business; now, therefore, be it .

RESOLVED, that this annual meeting recommends to the Board of Directors the establishment of a special committee on pensions which committee shall consist of — members, and which shall, as expeditiously as possible and during the ensuing year, make a careful study of the present situation representing the need for such civil service retirement and superannuation pension plans, and the work which has previously been done in this connection, and to prepare a report in such manner that it may be submitted by referendum to the various members of this organization, in order that business opinion may be ascertained, and, in the event that it is favorable, some practical assistance may be given toward securing the proper action, so that the Government service may be improved in this respect.

Vocational Education

RESOLVED, that the Chamber of Commerce of the United States reaffirms its approval of Federal Aid for Vocational Education;

RESOLVED, further, that it believes the work to be done to be so important and so complex as to require the creation of a Federal Board which will devote its undivided attention to the subject;

RESOLVED, further, that the Board should be representative in its personnel of commerce, labor, industry, agriculture, and education;

RESOLVED, further, that the members of this Board should be given compensation adequate to command for its membership the ability necessary for the great task to be performed;

RESOLVED, further, that the Federal Board should be required to appoint advisory committees representing commerce, labor, industry, agriculture and general or vocational education;

RESOLVED, further, that for the purpose of stimulating a nation-wide interest in this subject a referendum should be taken among the members of the Chamber of Commerce of the United States.



A New President for the National Chamber

Election of Officers and Directors

THE first task of the new Board of Directors was the election of R. G. Rhett as the president of the Chamber of Commerce of the United States for the forthcoming year. This meeting was held on Friday, February 11, following the last day of the convention. Mr. Rhett immediately took up his new duties.

At a meeting of the Board of Directors held at the headquarters on the same day, John H. Fahey, of Boston, who had served as president of the National Chamber since 1914, was elected an honorary vice president.

The following officers were re-elected: Vice-President, Henry L. Corbett, a banker of Portland, Ore., for the western states; Joseph H. Defrees, former president of the Chicago Association of Commerce, for the northern central states; Robert F. Maddox, president of the Atlanta Chamber of Commerce, for the southern central states, and, Samuel McRoberts, vice-president of the National City Bank of New York, for the eastern states.

John Joy Edson, president of the Washington Loan and Trust Company of Washington, D. C., was re-elected as the treasurer. The chairman of the Executive Committee, to succeed Mr. Rhett, will be elected at the next meeting of the Board of Directors, the time of which has not yet been definitely determined.

New Directors Chosen

The terms of thirteen directors of the National Chamber expired at the time of the Annual Meeting and the following were elected at Thursday morning's session to fill the vacancies: Edward A. Filene, president, William Filene's Sons Co., Boston; James R. MacColl, a cotton manufacturer and formerly president of the National Association of Cotton Manufacturers, Providence, R. I.; W. L. Clause, a manufacturer, president of the Pittsburgh Plate Glass Company; Charles A. McCormick of Johnson & Johnson, New Brunswick, N. J.; Granger A. Hollister, vice president of the Rochester Railway and Light Co.; R. A. McCormick,

of Baltimore; Homer L. Ferguson, president of the Newport News Shipbuilding and Dry Dock Company; Leon C. Simon, a wholesale merchant of New Orleans; S. B. Anderson, president, Anderson-Tully Lumber Co., Memphis, Tenn.; Hon. Charles Nagel, former Secretary of Commerce and Labor, St. Louis; William Butterworth, president, Deere and Company, Moline, Ill.; F. A. Seiberling, president, Goodyear Tire and Rubber Co., Akron, O.; L. S.

Gillette, a manufacturer and principal owner of the Minnesota Steel and Machinery Plant, Minneapolis. With the exception of Mr. Filene, Mr. Clause, Messrs. McCormick and Anderson, the above named served on the old board and were re-elected.

At the Thursday meeting of the directors James Couzens, an automobile manufacturer of Detroit, was elected to succeed Henry B. Joy, resigned. Mr. Couzens was formerly president of the Detroit Board of Commerce.

The New President

Mr. Rhett, the newly elected president, was a member of the Executive Committee from January, 1913, until he was elected to the presidency of the National Chamber. He served as chairman of this committee for a year. Mr. Rhett is a prominent lawyer and banker of the South and at present is the president of the People's National Bank of Charleston, S. C. The new chief executive of the National Chamber is fifty-

four years old. He was born at Columbia, S. C. Mr. Rhett attended the Porter Academy at Charleston and later the Episcopal High School of Virginia. He was later graduated from the University of Virginia.

Mr. Rhett practiced law for fifteen years and then became president of the South Carolina Loan and Trust Company. He has been an active member in the local Chamber of Commerce. In fact, Mr. Rhett has been one of the foremost figures in the commercial history of Charleston. In this connection it is interesting to note that Mr. Rhett for eight years was the mayor of that city.



@by International Film Service.

The New President and Two Honorary Vice-Presidents

(Left to right: R. G. Rhett, the Chamber's new President; A. B. Farquhar, Honorary Vice-President, and John H. Fahey, former President and just elected an Honorary Vice-President.)



©Harris & Ewing

Members of the Board of Directors of the National Chamber Who Met on February 5 to Complete the Details For the Big Meeting.

Back row, left to right: D. A. Skinner, Assistant Secretary; Elliot H. Goodwin, Secretary; H. L. Ferguson, W. M. McCormick, A. I. Esberg, R. T. Cunningham, William Butterworth, Frederic E. Boothby, R. G. Rhett, A. B. Farquhar, Honorary Vice President; John H. Fahey, President; L. S. Gillette, Joseph H. Defrees, Vice President; John Joy Edson, Treasurer; William H. Stevenson, and James R. MacColl.

Annual Report of the Board of Directors

PROPERLY to understand the work and accomplishment of the Chamber of Commerce of the United States during the year 1915 for which this report is submitted by the Board of Directors, it must be read in connection with the reports of its active committees to be submitted at the Fourth Annual Meeting. With each new year of growth the work of the Chamber becomes more highly systematized and continuous. It divides itself clearly between the constructive work for advancement of American commerce carried on through committees, on the one side, and service to American business organizations, firms and individuals, carried on through the Washington headquarters, on the other. It cannot be too often reiterated that the decision of all questions lies with the organization membership, not with the Board of Directors, which exercises powers that are supervisory and selective—supervisory over the administration of the Chamber and generally selective as to subjects to be considered and committees to be appointed.

The year, a critical one for American commerce in view of the world war and the position of the United States as the greatest neutral nation endeavoring to uphold the standards of civilization, the rights of neutrals, and the ideals of peace, has been one of development and adventure for American business and to an equal degree for its National Chamber. Commerce, threatened at the beginning of hostilities with near annihilation, has through enterprise and daring worked its way to very general and, in many lines, extra-

ordinary prosperity, though still menaced by the possibilities that may arise from the unreasoning passion of belligerents and the enmities engendered by the war. It has been the part of the Chamber to exercise foresight, judgment and enterprise to keep American business fully informed of commercial conditions, to plan against the exigencies of the future, to encourage sound and legitimate adventure into foreign fields, and to secure the counsel of the business men as represented in commercial organizations upon the leading commercial questions before Congress and the Executive.

Three referenda have been issued and voted upon during the year. Another is now before the organizations and at least one other will be ready for submission immediately after the Annual Meeting.

Composition of the Board

As the result of election at the last Annual Meeting, eight members of the Board were re-elected and four new members were elected: Re-elected: L. C. Boyd, Thomas Burke, William H. Douglas, Henry B. Joy, Charles S. Keith, John W. Philp, R. G. Rhett, Thomas B. Stearns. New Members Elected: Howell Cheney, R. T. Cunningham, E. T. Meredith, Alfred I. Esberg.

At the meeting of the Board held on February 5, John H. Fahey, of Boston, was re-elected President, Harry A. Wheeler, of Chicago, and A. B. Farquhar, of York, Penn., were elected Honorary Vice-Presidents; Robert F. Maddox, of

Atlanta, and Henry L. Corbett, of Portland, Oregon, were re-elected Vice-Presidents; John Joy Edson, of Washington, was re-elected Treasurer, and R. G. Rhett, of Charleston, was chosen as Chairman of the Executive Committee.

At the next meetings of the Board, March 17 and 18, the list of Vice-Presidents was completed by the election of the following: Joseph H. Defrees, Chicago, Ill.; Samuel McRoberts, New York, N. Y. Vacancies in the Board caused by resignations were filled during the year as follows: February 5, Frank A. Seiberling, Akron, O., vice E. L. Philipp, Milwaukee.

March 17-18, William Butterworth, Moline, Ill., vice Frederick Bode, Chicago; Granger A. Hollister, Rochester, N. Y., vice James G. Cutler, Rochester.

June 29-30, L. S. Gillette, Minneapolis, Minn., vice Hovey C. Clarke, Minneapolis.

The Executive Committee for the year was chosen at the Board meeting on March 17 and 18.

EXECUTIVE COMMITTEE: R. G. Rhett, *Chairman*; L. C. Boyd, Franklin Conklin, Joseph H. Defrees, William H. Douglas, John Joy Edson, Alfred I. Esberg, Charles S. Keith, Robert F. Maddox, E. T. Meredith, William H. Stevenson.

Meetings

Since the last Annual Meeting five meetings of the Board of Directors and two meetings of the Executive Committee have been held.

Board of Directors

February 5, 1915	Washington
March 17 and 18, 1915	Washington
June 29 and 30, 1915	New York
October 5 and 6, 1915	Cleveland
February 5 and 7, 1916	Washington

Executive Committee

May 25 and 26, 1915	Washington
November 22 and 23, 1915	Washington

Organization Membership

Owing to the necessity for concentration of effort on Capital Fund and individual membership as means of financing the Chamber at present and placing it on a strong financial basis for the future, no organized campaign for increased organization membership has been conducted during the past two years. It is hoped that this work can be resumed in 1916, thus broadening the base of the Chamber's democracy and influence. With the inclusion in the membership of most of the larger organizations of the country, canvassing for new members through visits of Field Secretaries cannot be carried on except at a loss, in that the dues of such members at the low rate at which they are fixed will not be sufficient to offset the expense of the campaign. A large part of the new organization membership of the past year has been gained without special effort. Since the last Annual Meeting 112 commercial organizations have been added to the rolls, making the total membership on February 1, 1916, 711 as compared with 624 on the same day of the previous year. 83 resignations are now pending.

Individual Membership

Canvassing for individual membership was also seriously curtailed through lack of funds until the fall of 1915, but

even during this period the increase was more than sufficient to offset resignations. With the appointment of a Field Manager in August and the subsequent augmentation of the field force more rapid progress has been made and the outlook is for the near completion of the fixed total of 5,000 before the Fifth Annual Meeting. Since the last Annual Meeting 935 new individual members have been secured and, counting all pending resignations as final, the total individual membership is 2,865, as compared with 2,364 a year ago.

Finances

In its last Annual Report the Board reported a deficit on December 31, 1914, of \$12,059.33, and ventured the prediction that this deficit would be eliminated during 1915. Organized canvassing work enables the Board to report a better condition even than that predicted. The deficit has been met and the Chamber closed its fiscal year with a cash balance of \$23,608.42.

Capital Fund

When the Chamber was first organized, the then Board of Directors undertook the raising of a fund to finance the Chamber's operations during the period of organization. Such money as was raised was spent in meeting the Chamber's current obligations and in addition the Directors arranged for loans amounting to \$10,000. Under the direction of the President the work was reorganized and systematized with a double purpose in view—first, of providing for the deficit during the years of organization and until membership, both organization and individual, could be completed; second, of securing a proper and adequate reserve fund such as an organization of the size and scope of the National Chamber should have. The backbone of the Capital Fund thus raised has been subscriptions of \$1,000 a year for three years from far-seeing and public-spirited business firms and individuals who have sought and received no return beyond the privileges enjoyed by all individual members. It is confidently expected that the Capital Fund will be completed during 1916.

Administrative Organization

Both the staff and the equipment in the Washington Headquarters have been materially augmented during the year to meet the increasing demands made upon the Chamber. The position of Editor of THE NATION'S BUSINESS, vacant at the last Annual Meeting, was filled in March by the appointment of Dr. Louis E. Van Norman, of New York. The position of Assistant Chief of the Information Division was filled in May by the appointment of Henry P. Fowler, an attorney of Boston. In August L. C. M. Reed was appointed Manager of the Field Division. An entirely new line of work was instituted with the appointment in August of Colvin B. Brown as Chief of the Organization Service Bureau. These changes have necessitated added space and increase in the clerical force. The branch offices in Boston, New York, Chicago and San Francisco have been continued and the number of Field Secretaries increased.

A vastly greater recognition of what the Chamber has done and can do has led to demands upon it with which increases in staff and equipment have scarcely kept pace. If it is to fill the field of its opportunity, considerable additions to both must be contemplated.

The Organization Service Bureau

The establishment of this Bureau for the service of commercial organizations has been contemplated from the start and is full of promise for future usefulness to the business interests of the country. The strength of the commercial organizations underlies the strength of the National Chamber which is but a federation controlled by its members. To provide a clearing house of information regarding commercial organization activities, to analyze new projects, to standardize organization and methods is to furnish a fundamental service to American business, now so largely organized in commercial associations. The plan of the Bureau has the approval and support of commercial executives. It is now proceeding in its work through the collation and distribution of material, and all will be conducted under the guidance of an Advisory Committee on which commercial secretaries are ably represented.

The Nation's Business

THE NATION'S BUSINESS was started in 1912 a few months after the organization of the Chamber as a medium of communicating information in regard to the Chamber to its membership and to the people at large. It has been continually improved in form, typography and substance and for the purpose for which it was originally intended has served well. The most radical change came with the November issue in a regular magazine form. It is now very largely, thanks to the work of Richard H. Waldo, of New York, Chairman of the Committee on Publications, an ably edited, full-fledged magazine issued monthly, carrying no advertising, and having but a very limited circulation outside the membership and exchange list. The paper not only carries authoritative information regarding the activities of the National Chamber but also is engaged in interpreting the United States Government to the business men. Its articles on government activities, matters before Congress, shipping (to which it has paid great attention during the past year) and the like, its department devoted to commercial organizations place it in a field exclusively its own, in which it does not compete with the regular magazines. It should be possible to obtain for it a large circulation among business men and this—once form and material have been perfected—is a problem for the new Board with the aid and cooperation of the membership to work out to a successful conclusion.

While THE NATION'S BUSINESS has been the main medium of publicity in regard to the activities of the Chamber, members will not have failed to notice the numerous articles which have appeared in magazines, trade papers and the daily press dealing with the Chamber or some phase of its work. These have been due in the main to the recognition which the Chamber has won for itself by the course it has pursued and the influence it has created. The value of publicity to such a movement has not been overlooked and the Chamber is now regarded by press correspondents as one of the important sources for information and news in Washington, while the Editorial Division has so organized its work that it is ready at all times to furnish in condensed form information in regard to plans and accomplishments of the Chamber and its committees.

Regular Services

The regular services of the Chamber to its members have been continued, improved and augmented. To the weekly Legislative and General Bulletins, issued through the Information Division, have been added a new series, known as the Federal Trade Bulletin, following the activities of the Federal Trade Commission. Individual members have their commercial interests classified in detail in the Individual Membership Division and trade opportunities or information bearing on their interests is promptly transmitted to them by letter. All inquiries on commercial matters or subjects ascertainable at the Capital are immediately investigated and answered by one or the other of these Divisions. To this end the Headquarters contain an efficient and rapidly growing library. In increasing numbers members are resorting to the Chamber for information and service and it is a matter of pride to the Board that these services, whatever the demand, shall be kept up to the highest pitch of efficiency.

Subjects Submitted to Referendum

Referendum No. 9—Merchant Marine

At the Third Annual Meeting the debate upon the Report of the Committee on Merchant Marine took first place in importance. It was finally voted that the points at issue should be submitted to the entire membership by referendum. The debate had centered chiefly on the Administration's pending ship purchase measure but as less than a month would elapse between the Annual Meeting and the final adjournment of Congress on March 4, while it requires 45 days to complete a referendum, it was obvious that no result could be obtained in time to influence the course of pending legislation. The Board therefore decided to broaden the scope of the inquiry and ascertain the views of members upon general principles of ship subsidy, mail subvention and the like in addition to the specific recommendations of the report. Two ballots were accordingly submitted. The Referendum was issued on May 8 as Referendum No. 9 and the voting closed on June 22. Two hundred and eighty-two commercial organizations, located in 39 States, the District of Columbia, Alaska, Hawaii, the Philippines, Porto Rico, and Paris, France, took part in the voting. The result was a severe arraignment of the proposition for Government ownership either with Government or private operation of vessels and a strong endorsement of the principles of subsidy, mail subvention and rate regulation. Only one recommendation, No. II on Ballot 2, failed to secure the two-thirds vote necessary to commit the Chamber.

BALLOT NUMBER ONE

I Do you favor the Government undertaking the purchase, construction, or charter of vessels for mercantile purposes, together with the operation of such vessels?

89 VOTES IN FAVOR; 690 VOTES OPPOSED

II Do you favor ownership of merchant vessels by the Government but with operation by private parties under leases?

51 VOTES IN FAVOR; 713 VOTES OPPOSED

III Do you favor subsidies from the Government sufficient to offset the difference in cost between operation of vessels under the American flag and operation in the same deep-sea trades under foreign flags?

554 VOTES IN FAVOR; 189 VOTES OPPOSED

IV Do you favor subventions from the Government to establish regular mail and freight lines under the American flag to countries

In which the commercial interests of the United States are important, and to American dependencies?

713 VOTES IN FAVOR; 52 VOTES OPPOSED

BALLOT NUMBER TWO

I The Committee recommends the creation of a Federal Shipping Board to investigate and report to Congress regarding the Navigation Laws and to have full jurisdiction, under the law, in all matters pertaining to over-sea transportation.

639 VOTES IN FAVOR OF THE RECOMMENDATION;
116 VOTES OPPOSED

II The Committee recommends that the Government subscribe to the entire stock of a Marine Development Company with a capital of thirty million dollars, this company to have authority for seven years to lend, under supervision of the Federal Shipping Board, upon the security of first mortgages on merchant vessels, taking as evidence of their indebtedness bonds which bear a fair rate of interest and contain provisions for amortization, the Development Company to guarantee the bonds as to principal and interest and sell them to the public.

416 VOTES IN FAVOR OF THE RECOMMENDATION;
314 VOTES OPPOSED

III The Committee recommends that the ocean-mail law of 1891 be amended by lowering the speed for first-class steamers from twenty to sixteen knots and for second-class steamers from sixteen to twelve knots, and by making the compensation adequate to permit the establishment of lines of steamships carrying both mail and freight.

692 VOTES IN FAVOR OF THE RECOMMENDATION;
58 VOTES OPPOSED

IV The Committee recommends that there should be legislation abolishing deferred rebates and providing for supervision of rates by the Federal Shipping Board, with requirements for filing with the Board schedules of rates and all agreements among over-sea lines.

601 VOTES IN FAVOR OF THE RECOMMENDATION;
130 VOTES OPPOSED

V The Committee recommends that Federal licenses should be taken out by lines, domestic and foreign, engaged in shipping between ports of the United States and other countries.

610 VOTES IN FAVOR OF THE RECOMMENDATION;
120 VOTES OPPOSED

In connection with this recording of business opinion it is interesting to note the altered form and substance of the Administration shipping bill which has been introduced in the new Congress in the past few days and which has received the careful study of the Chamber's Committee on Merchant Marine.

Referendum No. 10—Foreign Commercial Service

At the meeting of the Board in New York, June 29 and 30, two committees made reports which were ordered to referendum. The first was that of the Committee on the Department of Commerce relating to the development of the foreign commercial service of the Bureau of Foreign and Domestic Commerce in the Department of Commerce and Consular Service in the Department of State. It further recommended the resumption of the publication of the statistics in regard to the movements of domestic commerce. Following a similar report of the same Committee, submitted in 1913, regarding the reorganization and extension of the Bureau of Foreign and Domestic Commerce, which was overwhelmingly approved by the constituent organizations in a referendum vote (Referendum No. 5) the Committee laid stress on the unparalleled opportunity for the development of American foreign trade which the war had created and asked of Congress sufficient funds to permit the Government bureaus to exploit this opportunity. The Referendum was issued on November 15. Nine recommendations were submitted to vote and all were overwhelmingly endorsed. Three hundred and seven organizations, located in 42 States, the District of Columbia, Hawaii, Berlin, Germany

and Milan, Italy, took part in the balloting. The results have been communicated to the appropriate Committees in both Houses of Congress where appropriation bills are pending.

A THE WASHINGTON HEADQUARTERS OF THE BUREAU:

An increase in staff and appropriations for administration, editorial work, collecting and translating foreign tariffs, distributing information, research and translation, correspondence, and handling files, supplies, etc.

875 VOTES IN FAVOR; 19 VOTES OPPOSED

B THE FIELD SERVICE OF BUREAU GENERALLY: Appointment of a director of the field service and enlarged appropriations, with separate appropriations for collection and exploitation of samples, geographical experts at Washington, distribution of American literature abroad, adequacy in reimbursement for traveling expenses abroad, and allowances for living expenses abroad.

869 VOTES IN FAVOR; 18 VOTES OPPOSED

C THE FIELD SERVICE OF BUREAU IN LATIN AMERICA: Increased appropriations for immediate and special investigations.

871 VOTES IN FAVOR; 24 VOTES OPPOSED

D COMMERCIAL ATTACHES: Appointment of five new commercial attaches and distinction between attaches and trade commissioners.

848 VOTES IN FAVOR; 23 VOTES OPPOSED

E TRADE COMMISSIONERS: Creation of the new position of trade commissioner and appointment of commissioners to at least six countries abroad.

860 VOTES IN FAVOR; 21 VOTES OPPOSED

F DISTRICT OFFICES OF BUREAU: Continuance of the present eight branch offices under new appropriations.

847 VOTES IN FAVOR; 38 VOTES OPPOSED

G CIVIL SERVICE IN BUREAU'S FIELD SERVICE: Appointment and promotion of members of the field service in accordance with the Civil Service Law.

872 VOTES IN FAVOR; 12 VOTES OPPOSED

H THE CONSULAR SERVICE: Americanization, adequate clerical assistance, elevation of eleven consular agencies to consulates and establishment of fifteen consulates where there are now no American consular representatives of any sort, and more adequate and frequent inspection of consular offices.

877 VOTES IN FAVOR; 8 VOTES OPPOSED

I STATISTICS OF INTERNAL COMMERCE: Renewal of the earlier publication of these statistics by the Bureau, with adequate appropriations.

866 VOTES IN FAVOR; 25 VOTES OPPOSED

Referendum No. 11—Economic Results of the War and American Business

The second subject submitted to referendum vote on the same date gave rise to greater diversity of opinion. Referendum No. 11 was on the Report of the Special Committee on the Economic Results of the War and American Business, advocating that the Government take the necessary steps to accomplish a more effective sea law, the establishment of an International Court and Council of Conciliation, and the joint use of, first, economic pressure followed, if necessary, by military pressure against the nation or nations that having become parties to the agreement proceeded to war before submitting their grievances to Court or Council. Doubt was expressed in some quarters as to the advisability of the Chamber taking up a subject of this character. The results justified the expectations of those who felt that American business organizations would take an interest in a matter of such large, national and international import. Six recommendations were submitted and all were endorsed except recommendation No. 5 in regard to the application of military pressure should economic pressure prove insufficient. This recommendation lacked sixteen of the two-thirds

vote necessary to commit the Chamber. Two hundred and eighty-two organizations, located in 40 States, the District of Columbia, Hawaii, Berlin, Germany, and Milan, Italy, took part in the vote.

I The Committee recommended action to secure conferences among neutral countries, on the initiative of the United States, for the purpose of defining and enunciating rules which will at all times give due protection to life and property upon the high seas.

763 VOTES IN FAVOR; 29 VOTES OPPOSED

II The Committee recommended that for the decision of questions which arise between nations and which can be resolved upon the application of established rules or upon a determination of facts the United States should take the initiative in joining with other nations in establishing an International Court.

753 VOTES IN FAVOR; 21 VOTES OPPOSED

III The Committee recommended that for consideration of questions which arise between nations and which do not depend upon established rules or upon facts which can be determined by an International Court the United States should take the initiative in joining with other nations in establishing a Council of Conciliation.

744 VOTES IN FAVOR; 28 VOTES OPPOSED

IV The Committee recommended that the United States should take the initiative in joining with other nations in agreeing to bring concerted economic pressure to bear upon any nation or nations which resort to military measures without submitting their differences to an International Court or a Council of Conciliation, and awaiting the decision of the Court or the recommendation of the Council, as circumstances make the more appropriate.

556 VOTES IN FAVOR; 157 VOTES OPPOSED

V The Committee recommended that the United States take the initiative in joining with other nations in agreeing to use concerted military force in the event that concerted economic pressure exercised by the signatory nations is not sufficient to compel nations which have proceeded to war to desist from military operations and submit the questions at issue to an International Court or a Council of Conciliation, as circumstances make the more appropriate.

452 VOTES IN FAVOR; 249 VOTES OPPOSED

VI The Committee recommended that the United States should take the initiative in establishing the principle of frequent international conferences at expressly stated intervals for the progressive amendment of international law.

768 VOTES IN FAVOR; 13 VOTES OPPOSED

Referendum No. 12—Seamen's Act

Referendum No. 12 is on the Report of the Special Committee on the Seamen's Act and is now pending, having been issued January 26. The voting will close March 11. The Committee, which devoted careful consideration to the provisions of the Act, their probable results in practice and the interpretation placed upon them by the Department of Commerce, was at pains to recognize the benevolent features of the measure and confined its recommendations to the suspension of certain provisions discriminating against American shipping until such time as they could be uniformly enforced as regards foreign vessels as well as nationals.

The referendum system as applied to the work of the National Chamber contains many unique features and was frankly experimental. Today it is recognized both inside and outside the membership as the strongest feature of the Chamber's work carrying with it great weight and influence. Most of its success has been due to three factors—the practical way the questions are submitted as the recommendations of a committee solely, to which neither the Chamber nor its Board of Directors is committed in any way until the voting is completed, the fairness and the fullness of the presentation and the complete publicity regarding all the steps and the results. Nothing is suppressed or held back and members of Congress and the Executive are supplied

with the vote in detail of every organization and a summary of all dissenting or supplementary opinions filed with the vote or in lieu of voting.

Other Committee Work

While the committees above mentioned are the only ones which during the year have completed reports which have been submitted to referendum, other committees have been actively at work and will have reports at the Fourth Annual Meeting, some of which are in shape for submission to referendum immediately thereafter, if the meeting shall so decide. Notably, the Special Committee on the Maintenance of Resale Prices, which submitted a preliminary report at the last Annual Meeting, has completed its arduous work after a series of meetings and has handed in voluminous reports which supporting data on both sides of the question.

The Reports of the Committee on Statistics and Standards dealing with business and crop conditions and Government statistics have been published from time to time as Special Bulletins and have formed a series of marked value. The Foreign Relations Committee has had the commercial treaties of the United States as a special subject of consideration and it is under the auspices of this Committee that weekly a 500 word cable in regard to North American commerce and affairs has been transmitted to newspapers throughout Latin America. The Committees on Immigration, National Defense, Labor Exchanges, Education, National Budget, Federal Trade and Tariff Commission have all been active and have reports to submit.

Investigation of Steamboat Inspection Service

The Committee on the Department of Commerce in addition to submitting a report which has been the subject of referendum vote has undertaken through a subcommittee with the cordial approval and co-operation of Secretary Redfield an investigation of the Steamboat Inspection Service of the Department of Commerce. This was instituted before the Eastland disaster in Chicago. In the investigation of that marine horror by the Department members of the committee were invited to attend. The intensive investigation is being carried on, under the direction of the subcommittee first at Washington, then at the different ports of the country, by N. Sumner Myrick, an attorney of Boston, who will shortly submit his report to the Committee.

Federal Trade Committee

Recent work of the Federal Trade Committee, organized upon the appointment of the Federal Trade Commission, and holding from time to time conferences with that body, has been before the public in an authorized statement given to the Committee by the Attorney General upon methods employed and policy followed in the enforcement of the Antitrust Laws and co-operation with the Federal Trade Commission.

National Budget and Tariff Commission

The first two subjects passed upon by the Chamber through referenda were National Budget and Tariff Commission. During the past year special committees have been organized to press these subjects to accomplishment. The Committee on National Budget, conferring with President Wilson last spring and ascertaining his favorable attitude,

were hopeful of action at the opening of the present session of Congress but that failed of fulfillment.

Under the direction of the Committee on Tariff Commission an active campaign of education throughout the country has been carried on. Constituent organizations have been asked to appoint co-operating committees and more than 200 have complied. These have been supplied with pamphlets and arguments. A Tariff Commission League formed during the year has also been actively campaigning toward the same end. Great gratification and assurance has been gained through the recently announced favorable attitude of the President and his purpose to forward the measure.

Pan-American Financial Conference

One of the most important and significant events of the year was the Pan-American Financial Conference last May, presided over by the Secretary of the Treasury. The National Chamber was glad to be of assistance in the arrangements and many of its officers took part in the proceedings. The President of the Chamber is a member of the International High Commission and other officers and members are connected with its group and special committees. The Chamber with the cordial approval and co-operation of the Secretary of the Treasury published a full account of the proceedings of the Conference with its most important documents as a supplement to the June issue of *THE NATION'S BUSINESS*.

Arbitration With Argentina

One of the results of the Conference was that the Chamber at the request of the Argentine Group Committee undertook to arrange for arbitration of commercial disputes with the Chamber of Commerce of Buenos Aires. A special committee was organized which in conference with Dr. Richard C. Aldao, delegate from Argentina, drew up proposed rules and regulations. These were submitted by Dr. Aldao on his return to the Buenos Aires Chamber, which has recently signified its assent thereto with two suggested amendments. Once the agreement is put in satisfactory operation it is planned to extend the system to other Latin American countries.

Other Subjects

Other subjects than those mentioned have been brought before the Board in considerable number through resolutions and requests from members which it has been impossible to handle during the year. The Board has fully recognized the importance of these subjects and its obligation to give them full consideration but it asks patience of the Chamber's member organizations in view of its obvious limitations. The care prescribed and followed in the preparation of subjects for referendum, the selection of committees with appropriate knowledge and representative of different attitudes as well

as of different sections of the country, aside from the limitations of staff and finances, make it essential to limit the number of subjects handled each year if they are to be properly and efficiently handled and to seek rather satisfactory results with a few than to dissipate energies on the many. None has been lost sight of and each will be taken up when the appropriate opportunity occurs.

Cooperation With Others

The Chamber has participated in the entertainment of the Chinese Commercial Commission which visited this country last May and June and was received at the National Headquarters. A representative of the Chamber accompanied the party throughout the trip. It has also had the pleasure of receiving a visit from the French Commission now in this country and furnishing it with desired information. The Chamber has been represented during the year at the Lake Mohonk Conference on International Arbitration, the American Academy of Political and Social Science, the Second Pan-American Scientific Congress, the Safety First Convention at Detroit, and the Foreign Trade Conference at New Orleans.

Charter

The Board has not abandoned the hope of securing from Congress a charter of incorporation appropriate to its national and international functions and believes that in course of time Congress will recognize its fitness. In view of the delay, however, incident to Congressional action, the Board has felt that as a business matter the growth of the Chamber and its handling of large funds compelled incorporation and a charter has been secured under the laws of the District of Columbia.

Conclusion

In concluding this report, the Board extends its earnest thanks for the invaluable service performed during the year by committee members, who at considerable inconvenience, loss of time and financial sacrifice have traveled long distances to aid in the solution of questions of immense interest to American business. Commendation for the work that the Chamber has accomplished belongs to its committees and such unrequited service deserves the recognition and gratitude of the membership of the Chamber at large.

THE BOARD OF DIRECTORS OF THE CHAMBER OF COMMERCE
OF THE UNITED STATES OF AMERICA,

JOHN H. FAHEY,
President.

ELLIOT H. GOODWIN,
Secretary.

February 5, 1916.

The National Chamber, Democracy of Business

What The Chamber has Done and Plans to Do for American Business

By JOHN H. FAHEY *

THE Chamber of Commerce of the United States of America is now on very solid ground. Its financial foundation is at last well laid and its membership has gone far beyond the most optimistic estimates of those who, three and one-half years ago, joined in the conference in this hall, where the first steps were taken towards its creation. There are seven hundred organizations of business men, at home and abroad, now affiliated in this federation. In membership and in the wide-spread character of its representation it far exceeds in size any similar organization in the world. This membership includes not only organizations in every one of our forty-eight states, but so far as the records show every substantial organization of American business men in foreign lands.

The Chamber of Commerce of the United States has reached the point where its strength and value are recognized on every hand. It is now your task to see that its prestige and influence are maintained and developed and that the high ideals which it has set shall never become impaired. The responsibility rests not alone upon every business man here but upon every right minded business man in the hundreds of communities from which you come. It should not depend upon leadership. It should not depend upon a Board of Directors or committees, no matter how efficient or devoted. In the last analysis a great democracy of business like this will live and reach its full usefulness only when it has the loyal interest and support of the thousands of constituents with whom the power really rests.

During the past year we have not pressed the campaign to increase organization membership nor have we laid any considerable stress on the work for individual membership. During the early part of 1915 our meagre resources would not permit us to undertake very elaborate work in either direction. The substantial gain in organization membership, therefore, came to us practically unsolicited.

You will remember that a year ago we were obliged frankly to report a financial deficit of nearly \$12,000. It is exceedingly gratifying that we are able to say to you now that this deficit has been wiped out. We have paid all our debts and had a balance in the treasury on February 1st of \$26,359.79. Our surplus above all liabilities on that date was approximately \$30,000.

We explained, at the last annual meeting, that it was evident because of the cost of campaigning for membership and the many demands made upon the Chamber for constructive work in the interests of the business of this coun-

try, that it would be two years or more before our increasing income from regular membership sources would meet the needs of a reasonable budget. It was, therefore, necessary to secure an organization or capital fund which would serve to meet the difference between ordinary income and absolute demand until the Chamber was on a self-sustaining basis. We undertook to do this by raising a fund of \$100,000 a year for three years. We have not completed that effort but we have secured pledges of approximately \$70,000 a year for the period I have named. The Chamber should close this fund in short order and in the work we should have your sympathetic cooperation in every way you can give it.

It has not been a holiday pastime, raising this fund. For those of us who have been obliged to take a hand in it, however, the experience has been a convincing demonstration of the sound civic sense of the great mass of American business men and their ambition to help in advancing the common welfare. Not one dollar has been given to this fund, with a string on it; not a cent has been offered with any hint or suggestion that the subscriber expected the Chamber of Commerce of the United States to aid him in securing some special favor in return. Like everything else about this institution its financing must be an open book and your Directors intend to print and report to you a complete list of the subscribers to its capital fund.

While our treasury, as you will see, is in very much more satisfactory shape than a year ago it is clear to all of us who have daily become more and more impressed with the need of this organization that if it had two or three times the regular income in sight, it would be able to do only a

part of the important work which lies ahead of it. With such resources as we have had, the service of the Chamber has developed most satisfactorily within the year and it is now expanding rapidly.

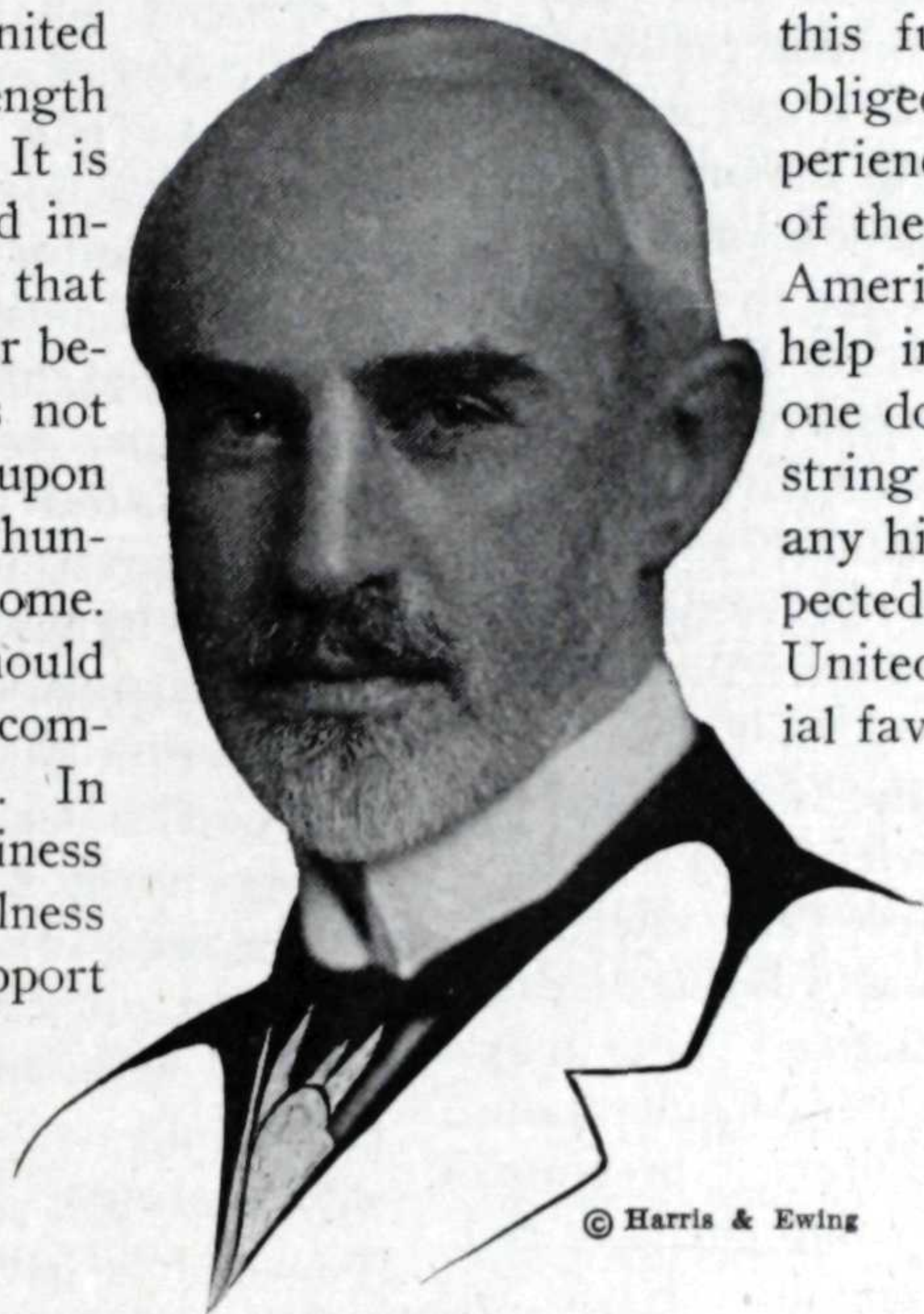
The Purposes of the Chamber

Our experience shows that the normal functions of the National Chamber are in three very definite fields:

The concentration of the business opinion of this country on important national problems.

The extension of co-operation between our government and business, and

Assistance to the organizations in our membership in developing their efficiency and promoting their usefulness.



© Harris & Ewing

John H. Fahey, President of the Chamber of Commerce of the United States from 1914 to 1916

* Address on February 8, before the Fourth Annual Meeting.

The representative and truly democratic character of the Chamber of Commerce of the United States is the great underlying reason for the position and influence which it has so quickly attained. Its methods of absolute openness and fairness in obtaining the views of business men on great national questions have been beyond reproach. It is fundamental to the maintenance of the Chamber's integrity that this reputation be protected at any cost.

The Referendum

It is worth while to outline briefly the steps which are taken by the Chamber to secure this expression of opinion which takes into account the views of business men in the smallest city as well as the greatest metropolis. When a question truly national in scope is presented to us for consideration in most cases it is promptly referred, by your Directors, to a carefully selected committee. The character of these committees is of great importance. Men should not be appointed to them because a community in order to gratify its local pride, desires representation or simply because a particular man is interested in the subject. Every committee should be composed of men who will really work and who will approach their tasks with a broad view and in the spirit of public service, attempting to comprehend the needs of the nation as a whole, not alone those of a locality or section or of any single interest. It is idle to name men on these committees merely for the honor of the thing.

Your committee has placed at its disposal competent secretarial assistance in the Washington headquarters, for it is not reasonable to expect men of the caliber you should command on these committees personally to give their time to detailed investigation. It is their job to direct and exercise sound judgment.

The report of a committee, when ready, is presented to your Board of Directors. Here it is reviewed by twenty-four men democratically chosen to guard your interests; men of different business affiliations and varying ideas, coming from all sections of the United States. They may offer suggestions to the committee for further consideration, but it is not in the power of the Board to prevent presentation to the Chamber at large of a really comprehensive report. After receipt by the Board the committee report is ordered to referendum and irrespective of whether it may be a unanimous report or a divided report, experience has clearly demonstrated that it is absolutely essential when it goes out to the entire country, that arguments shall be prepared with all possible impartiality for and against every proposal advanced in the report.

This system of referenda employed in the Chamber of Commerce of the United States is in many respects novel. More informal plans have been pursued in the business organizations of European countries for many years, but none have been developed in detail as have those of the Chamber. The use of this system has clearly proven, first, that there is practically no other way of recording the judgment of business men in all parts of the country at one time or dealing with a question which may arise during the twelve months between our meetings. Without such a device you could not expect long to retain general confidence in the high purposes of this organization or to hold the interest of members over so large an area as the territory of the United States.

It has become evident that in many ways the plan has tre-

mendous advantages over hurried discussions of great questions in an annual convention, no matter how many delegates are present or how many sections they represent. Too frequently, in such assemblages, action is influenced by a man or a group seemingly fully informed on the subject being debated or by one or more leaders able to present their views more convincingly than their fellows.

Moreover the spoken word lends itself readily to unwarranted assertion and partial explanation, but when you ask a responsible group of men really to study a subject and put their conclusions on paper the tendency is toward much clearer thinking and more accurate statement. As a result of the caution exercised, the referenda of the Chamber thus far submitted for analysis to thousands of critics have stood the test well.

Interest in this printed reference of questions has steadily increased but if the plan is to attain its fullest usefulness it is necessary that the projects presented to you shall have the most thorough study and consideration in every one of the organizations. The membership of the Chamber should not be content to accept the majority report of a committee, notwithstanding your knowledge that much work has been given to it. It is essential that business men should do their own thinking now, more than ever before, and it is of the greatest value for us to have the reaction of different kinds of business minds everywhere on these important problems. There is no excuse for an organization in this membership failing to take action on a referendum which comes to it. We business men are constantly finding fault with the weaknesses of government and the mistakes of our citizenship, but we well know that we are at the same time the worst offenders against civic morals because we often fail to exercise our own rights of franchise.

In the Chamber of Commerce of the United States, with the opportunity it now presents for expressing views of the business men, if we neglect to respond as we should we can only blame ourselves when the course of government is not in accord with our ideas of fairness.

Disposition of Votes

We hope you all understand that after the votes of your organizations have been recorded on a referendum your Board of Directors does not permit the matter to rest there. First, we carefully assemble these votes and make a chart showing how every organization in the country voted on the several questions. This chart also indicates the membership of each organization and if any special opinion is forwarded with the ballot it is summarized and printed in the chart. Copies of the referendum and the chart are promptly sent to the President of the United States, to every member of the Cabinet and to all members of Congress. The Directors then appoint a special committee or authorize the standing committee to follow the matter up, to appear before committees of Congress or through our organizations take up the question with members from their home districts. The result is that every member of Congress knows exactly what was considered, whether the presentation was fair and just how each section voted. He also knows that through their organizations over 300,000 very intelligent men have expressed themselves. Perhaps all this sounds very complicated to you, but in reality it is quite simple. Occasionally I have heard a man who had

never given the subject much thought suggest that it was too slow. A referendum can be settled in 45 days. What is six weeks in the history of a great national question? Usually they are years in reaching the stage of action in Congress. We have always been in good time in dealing with our questions, despite the thought that great haste was necessary.

Business Legislation

You will remember that in addition to this referendum method the by-laws provide that any organization in the Chamber has the privilege of initiating consideration of a subject and it must be taken up if it is national in character.

The interest of our business men in Federal legislation is very great and our relation to such legislation, through the Chamber, is a matter to which we may well give considerable thought.

For myself, I am convinced that if we are quite frank with ourselves we must realize that for many years we have all been so intent on our individual problems that we have been very poorly informed as to the real facts involved in great questions before the country of special interest to us. The workmen in their organizations and the farmers in theirs have been far better posted on matters of particular importance to them than have the business men in their field. But we have now come into a period in the history of America when less dependence can be placed upon the proverbial American guess. We must begin to do constructive thinking.

I also believe that American business men would be much more useful to the country and to themselves if they were less inclined toward partisanship in dealing with the great economic questions which so vitally affect their interests. A number of our most important problems would have been disposed of in Congress years ago but for petty politics. Another thing we business men should set out systematically to discourage is the altogether too prevalent and continuous disparagement of the efforts of men in public life. When the business man himself has a little experience with holding office or when he comes to understand Congress or the average state legislature as it really is, he usually begins to change his views about public servants, if he is at all fair minded. The United States Congress today, as always, is accurately representative of the American people as a whole. It matters not what administration is in power, the members of Congress continue about the same. Some are strong, some are weak, some are men of great ability and some lack the judgment we ought to have in this great general court of the people, but practically every one of these men is inspired by patriotic motives and acts honestly, according to the best light he has. Every member of Congress is overwhelmed with an enormous amount of detailed work which he is expected to do for his constituents and which he cannot delegate to others. The burden which is put upon him in this direction is unreasonable and unfair and it is easy to understand the difficulty the many members have in becoming well informed on the large number of questions on which they are asked to vote. If Congressmen or Senators do not understand business questions a fair share of the responsibility rests with the business men, for until we formed this organization we never employed any method for advising them that they could be expected to accept as represent-

ing the business view. I am satisfied that the United States Congress is not only ready but glad to be fair to business and to cooperate with us in every way possible in the advancement of the common welfare, if we convince that body that we know what we are talking about; that what we say is true and that we are trying to comprehend the needs of the entire country.

Business will never get fair consideration of its just claims in the Congress of the United States by employing round-about methods. The day of indirection passed long ago. It should never have dawned. And I know I reflect the sentiment of the business men of the nation as a whole when I say that all we want is to have our causes considered dispassionately, in the plain light of day and we are confident that the right kind of a verdict will usually result. Believing this we should be alert to call to account any business man or business men who, by other methods, would discredit business as a whole. Let us constantly keep in mind also that while being perfectly free to criticize the demagogue and the mountebank in public life, we will never accomplish much in raising the standards of statesmanship unless we go out of our way to praise and support those who really make great sacrifices because public spirit impells them to give years of their lives to the state, with very meagre return.

In speaking of the attitude of business men toward legislation and our legislative bodies, there is one other matter to which I would like to direct attention as affecting the Chamber. We are likely, from now on, to confront in some directions, a tendency which we should carefully avoid. It is to press for consideration in the councils of this organization comparatively minor questions. We should steadfastly resist any such temptation in this direction. The Chamber of Commerce of the United States is not a forum for the discussion of small things. Every member should see that its real bigness and dignity are at all times protected.

Cooperation With Government

One of the primary purposes for which this Chamber was organized was to bring about greater team work between our government and the business of this country, in the promotion of the welfare of all our people, for all of our people are concerned in business prosperity. The chief department of the United States Government in which we are interested is the Department of Commerce. As I think we have all come to realize, for long years we neglected this Department and failed to appreciate its possible usefulness to the nation and to business in advancing legitimate commercial development. One of the first committees the Chamber appointed was a Committee on the Department of Commerce and it has since devoted itself persistently not only to a study of the various bureaus of the Department of Commerce, but of other promotive agencies of the Government. The Bureau of Foreign and Domestic Commerce has now begun to extend its service in a most satisfactory way. Secretary Redfield and the chiefs of his bureaus have cordially co-operated with us in every way they possibly could and hardly a day passes that we are not able to unite in useful effort in some direction. Other departments of the government with which we come in contact likewise aid us in every way possible. During the stress of the last year and a half, as a result of these good understandings, the Cham-

ber, working with the departments, has been able to assist its members in hundreds of cases, overcoming serious difficulties and opening new avenues for the common good of commerce.

Practical Aid of the Department of Commerce

I am quite well aware that there are business men who do not believe that such a department as the Department of Commerce does any work of practical value to business, but men who hold that opinion are very much in error and do not know the facts. For years the Department carried on work of great value and as it has grown its usefulness has steadily increased. We should try it out more freely whenever opportunities exist, and I believe many of you would be surprised at the result. There are innumerable private concerns in the country today selling to business men information relative to foreign trade opportunities. I know positively of several such institutions which are receiving very handsome annual fees from business houses when most of the information these agencies command is that which they take from government bulletins and reports. I know of one instance where a business house paid a hundred dollars to one of these bureaus which secured all the information furnished from a government publication costing but a few cents. The manufacturer involved could just as well have obtained it himself from the government. I do not wish to give you the impression that we believe the Department of Commerce is a perfect piece of machinery. I do not think any one connected with it has that idea, but it is developing in a very promising way and as it grows its value will be greatly increased.

Our Department of Commerce Committee, as the Chairman of the Committee will tell you later, now has in hand a most interesting investigation of the Steamboat Inspection Service and as a result it hopes to present for your consideration soon suggestions which should be of value to this great service in its daily work and of substantial advantage to American commercial interests.

You have before you a printed report of our Committee on Statistics and Standards and the Chairman of that Committee will inform you of some important things about that essential government activity. The opportunities for greater harmony of action as between the government and this organization are almost unlimited. The work has hardly begun and it offers a splendid chance for us to prove that a democracy can really be efficient.

Organization Service Bureau

As the report of your Board of Directors points out, we have been able to establish a permanent bureau in the Washington headquarters to aid the organizations in this membership in their ambitious work of development. An association of business men should be as thoroughly businesslike as any institution we can create. It should have in its membership the pick of the business ability in a community or in a trade, and it should be the responsibility of the men in control of affairs to see that it stands out as an example of thoroughgoing business efficiency. But these organizations of ours have been passing through a period of trial and experiment for a dozen years now, and there has been great need of some central reservoir of information on which all our members could draw for knowledge as to the best methods being employed and the result of experiments tried

in various directions. If in several hundred cities, scattered over this country and in the field of the national trade organizations, each association is able to establish standards and develop to the utmost the knack of getting things done, the reaction on the country as a whole can hardly be measured. The work of this Service Bureau of ours is being supervised by an excellent committee, made up of some of the ablest commercial executives in the country, and a group of business men. This new activity should have the benefit of all the thought and suggestions and criticisms you can offer.

Things That the Chamber is Doing

I do not intend to take the time to go into the work of all our committees. The chairmen of many of them will tell you briefly just what is in hand.

Today you will receive a report from your Committee on Merchant Marine.

The Tariff Commission Committee will be able to give an account of its stewardship and report developments concerning this project for which the Chamber has labored so long, which must be gratifying to all of you.

The Committee on Federal Trade Commission, under the direction of former President Wheeler, to whom this Chamber owes so much, will likewise report things of interest.

The Committee on Labor Exchanges, organized recently and that on Vocational Education will present reports which tell their own story.

In recent months a very competent and representative Committee on Immigration has been bringing to the attention of our membership things we need to do as business men in this field of which we have so long been rather thoughtless. Chairman Trumbull will outline to you tomorrow additional suggestions.

The Committee on Rural Credits, of which the Hon. Myron T. Herrick, vice-president of the Cleveland Chamber of Commerce, is chairman, is not ready to present a report as yet, but within a few weeks hopes to submit its recommendations in regular course.

Our Committee on National Defense, as you have observed, has a place on our program for Thursday and I am confident that the skill and judgment which these men have brought to their work will impress you.

The Committee on Foreign Relations has made substantial progress within the year and will have something to say concerning the important problem of commercial treaties, which should receive your earnest attention.

I am sure that you will agree with the members of your Board that the Committee on Commercial Arbitration has developed very promising possibilities in the international field in the code which has been worked out with the Chamber of Commerce of Buenos Aires and which will be explained to you today.

We have proceeded with much caution in the appointment of committees. Many weeks have frequently been given to their organization. You will realize from what I have said that it has been absolutely impossible for this Chamber, through committees or otherwise, to deal with all of the really great questions with which it is our duty to concern ourselves. Your Directors have been obliged to proceed by a process of careful selection, dealing with most pressing problems first. It has not always been easy to determine the most necessary things to be done.

Doubtless we have often erred in judgment and where this has been the case we can only ask your indulgence and patience.

Now important committees are being completed to deal with Post Office service, Highways, Conservation, Waterways, Taxation, Agriculture and the great problem of Railway Regulation and the transportation service of the nation. The work of these committees will go forward in an orderly way and the results will be available as soon as careful service will permit.

Superfluous Organizations

I am today completing two years of service as your President. During that period I have sometimes felt the embarrassments which confront the chief officer of this organization, since he must always exercise a certain restraint in the discussion of business questions on public occasions. The personal opinion of the President of the Chamber of Commerce of the United States is not important. He must always be careful in what he says lest his view be interpreted as that of the National Chamber and the Chamber has no view until it has been determined by the methods provided in our by-laws.

Laying down the responsibilities of office, as I am at this time, I feel a certain sense of freedom in talking about some things which under other circumstances I would avoid because my remarks might be misinterpreted, and involve the Chamber.

One matter to which I would like to direct the attention of business men is the very common carelessness with which we give our names to commercial organizations and civic associations of various kinds. This subject has nothing whatever to do with the Chamber, but it is involved in the organization problem as a whole. Within the last two years I have had occasion to observe closely the activity of a very considerable number of absolutely unnecessary and superfluous associations, drawing their resources on one pretext or another from the business men of this country. In many cases persuasive promoters have convinced a few public spirited men of the virtue of associations for which they were soliciting money and as a result of the standing and character of the men who gave their approval, on very little investigation, thousands of dollars have been raised and wasted with almost no resulting advantage. In numerous cases of which I have knowledge half a dozen different associations are engaged in or pretending to do exactly the same work. In most instances these associations are mere paper affairs. The men whose names appear as officers know little or nothing about them. They are too busy with their own enterprises to keep posted. As a result these organizations serve only as excuses for providing unwarranted salaries for men of doubtful talents. It is high time that we, as business men, stopped this sort of thing. We should not give our names to organizations which we have not carefully investigated and about the operations of which we know nothing. Occasionally these institutions are exposed in the public press but usually the men who have been deceived say nothing about their experiences. I am sure that the amount of money annually wasted in this way runs into hundreds of thousands of dollars.

Every organization of business men legitimately put together and with real work to do should have our wholehearted support. We should give without reserve, for nothing can be accomplished without financial resources, but we should be absolutely certain that the organizations to which we subscribe are worthy, well managed and accomplishing something.

Our Own Organization

Here in our own Chamber of Commerce it is a matter of first importance that we should see to it that the standard of service which has been set by your Directors and committee members should be kept constantly in mind and never permitted to deteriorate. Opportunities for the development of this Chamber are large and they should be taken advantage of.

Directors should be chosen with the utmost care. Places on your Board should not be given to men for the honor of the thing or because some trade or some association or some city would like the gratification of being represented in your governing body. Men should be drafted for your Directorate because they are the best men in the country for this Board; because they will really work and think about the problems of this institution; because they are ready to devote themselves to the furtherance of its ideals in a spirit of the highest public service. Representation should never be given on your Board to any group or section because it seeks to forward its own business advantage.

In completing my period of service as your President and passing over the privilege of leadership to another more worthy, for I know you will have no difficulty in commanding the service of a citizen of much larger ability, I want to express my appreciation of the splendid cooperation I have had on every hand and the many kindly and encouraging things you have said.

I have enjoyed the adventure and you owe me nothing. For whatever I have given of time or thought to the task I have been more than repaid in the liberal education I have received concerning our country, the greatness and generosity of our business men and the high ideals to which the majority adhere. Sometimes there have been discouragements but we all have discounted these as a part of the day's work.

For myself, my only regret has been that with all I see for the Chamber of Commerce of the United States to do, I personally have been able to do so little.

One great satisfaction has come to our Directors from it all. When we set out together on this enterprise three and one-half years ago there were those who said: "It is all right but it can't be done." "The business men won't get together; if they do they will not stay together."

Some declared that we were too individualistic, too intent on just making money. Others said, that we would never finance an activity of this sort to an extent that would give a fair chance of success. Still others declared that selfish men would be sure to control such an institution for their own benefit. Happily each and every one of these predictions proved to be unfounded.

The Chamber of Commerce of the United States has

(Concluded on page 21.)

The President's Message to Business Men

ADDRESS OF PRESIDENT WILSON*

I HAVE been profoundly disturbed by what I have just heard. [The transcontinental telephone demonstration described elsewhere]. I am talked to all day long and this indefinite multiplication and extension of talk is nothing less than appalling; to realize that I cannot only be talked to in my office but from every portion of the continent shows me to what extreme dangers the Chief Executive is exposed. Indeed, I have been talked to so much today upon many topics of interest and importance that I find that it is a little difficult to turn the tables and talk myself. The field of your activities is so extensive, the number of things that you are legitimately interested in is so great, that it would be a task that no man might undertake to speak to you about the general duties of the Chamber of Commerce of the United States.

I have recently had occasion to speak to the country upon a topic which is of immediate and pressing importance, the subject of adequate preparation for national defence, but I am not going to speak to you upon that subject tonight, because my thoughts go back of the exigencies of the present moment and I must say that I think with a great deal of gratification of the preparation we did make for war before we knew that the war was coming,—that preparation which we made to be of service to the world in keeping alive some little part of the flame of peace and of making it possible for the United States to put her thought and her energies and her resources at the disposal of a world swept and disturbed by conflict. As I look back, ladies and gentlemen, upon the last three years I can see how we were guided, I hope, by something superior to our own wisdom in putting at the disposal of the business of the United States the instrumentalities by which it could make conquest of its opportunities. When you reflect what might have happened if our banking system had at the outset of this war been the clumsy and antiquated thing that it was three years ago, you will realize that not only might we not have escaped disaster, but that disaster might have been so prolonged that it would have been impossible for the United States to occupy the position she now occupies.

American Unselfish Neutrality

The reason for our neutrality, ladies and gentlemen, is not a selfish reason. The reason for our neutrality is that it is imperatively necessary that the balance should be kept even and some judgments should be kept disengaged and some energies kept alive along the ordinary occupations of industry and of mutual helpfulness, while all the world is torn and distracted by war. It is a cruel thing to have it supposed, as it is in so many quarters, that we have kept

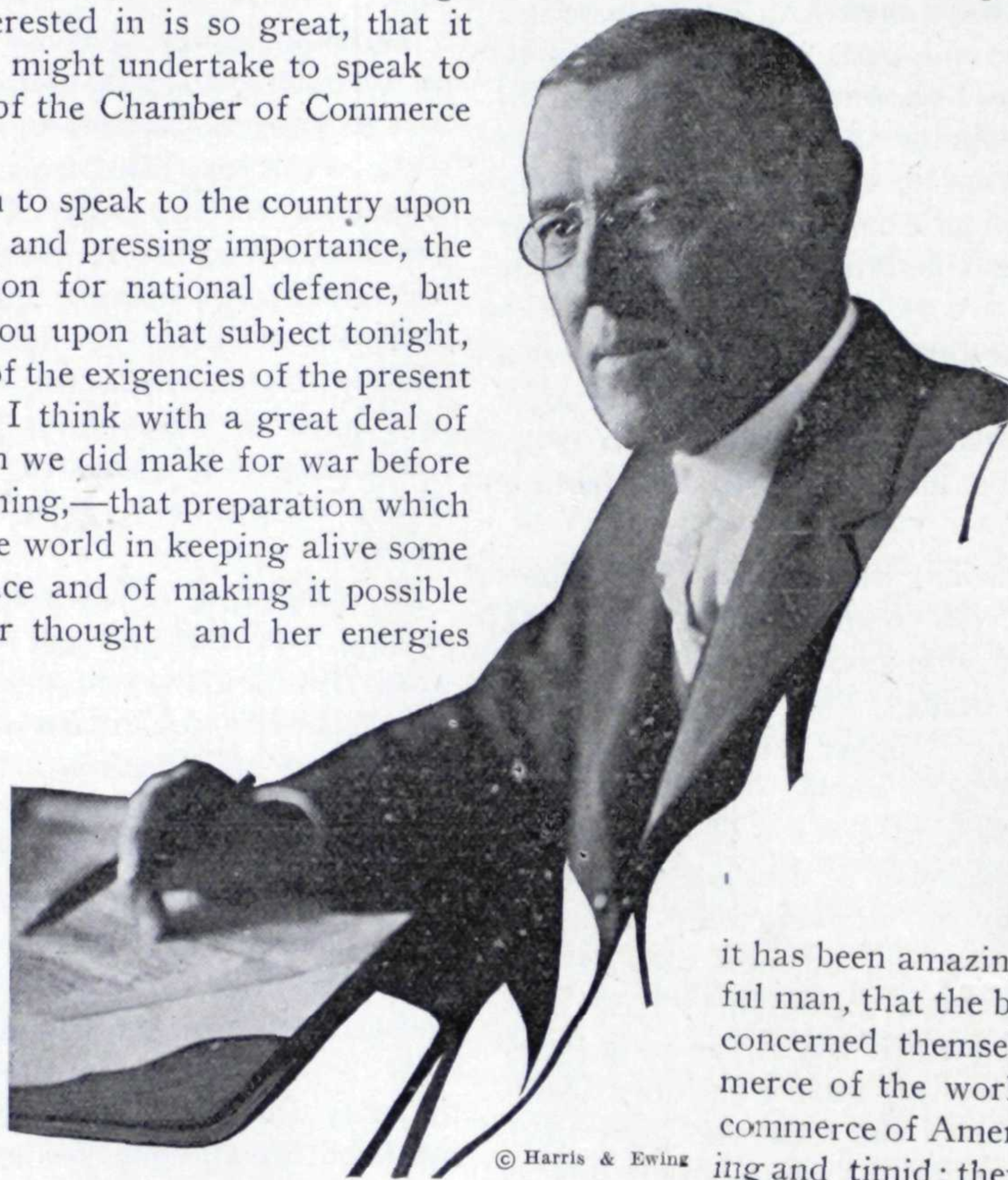
out of this war simply because we wanted to keep out of trouble and simply because we wanted to profit by the trouble of others, and yet misunderstandings for the time being are not to be reckoned as against the consciousness that we must ourselves have that we have pursued the right and only serviceable course. I am not afraid, for one, of the slow verdict of history with regard to the neutrality of the United States, and I believe that we are justified in exercising every degree of patience in making it clear what our position is and how sincerely we are determined not to allow this quarrel to become part of ours. I have only this

to say, though, ladies and gentlemen: We hold this trouble at arm's length and keep, or attempt to keep, our own judgments cool, but the rest of the world is hot and it may be that any time without our cooperation and without our ability to stop it the flame may extend to us. Therefore I am glad that the United States has been put in a position to mobilize its financial resources and to get into the position which it must at last get into, whether it wants to or not.

Our Timidity in Foreign Commerce

It is amazing to me. It has been amazing ever since I was a thoughtful man, that the business men of America have concerned themselves so little with the commerce of the world as distinguished from the commerce of America. They have been doubting and timid; they have not known what they should have known about the opportunities of foreign commerce, and they have been slow to avail themselves of those opportunities when they were known; and now in the strange turn of events we are called upon to exercise, I believe, in the decades immediately ahead of us the chief part in those very functions which we have hitherto been avoiding and appearing to fear. America is going to be thrust out into the economic leadership of the world, and it is a matter of congratulation that we have gained the instrumentalities which are necessary for the exercise of this great part. Not only have we the Federal Reserve Bank System, which all objected to who did not understand it and some feared because they did understand it, but we have other instrumentalities which have been put at the disposal of the business men of the country.

I do not think that I need tell you gentlemen that already,



© Harris & Ewing

President Wilson—A recent photograph.

* At the Banquet of the National Chamber, February 10.

Although it is of so recent creation, the Federal Trade Commission has begun to be a most interesting and useful intermediary among the business undertakings of the country, in order that they may see how the business of this country can be conducted with the utmost success and yet, not only according to the letter, but according to the spirit of the laws of regulation which Congress has adopted. Some of you have dealt with that commission; you, therefore, know its spirit, which is a spirit of co-operation and of helpfulness. More of you, I hope, from time to time will make use of the assistance of that commission, and you will more and more find that it is not an instrument to generate friction but an instrument to avoid friction, an instrument to accommodate all the forces of this country so that they can cooperate with one another with the greatest possible energy and the least possible inconvenience.

"The Great Department of Commerce"

It has been the habit of the United States to create a great many excellent instrumentalities and then not know that it had them. One of the instrumentalities which it has been slow to realize the use of, and even the existence of, is that which has been supplied by the great Department of Commerce of the United States. I am glad to say that the present Secretary of Commerce has insisted that you should know what was going on in that department, and while some men were crying out that we ought to have means by which to ascertain the actual conditions under which the industries of this country were carried on, the Bureau of Foreign and Domestic Commerce has been publishing reports as excellent, I venture to say, as have been published by any governmental instrumentality in the world, giving the most extended and detailed and authentic information with regard to the things that you were interested to know but allowed to be printed without indulging in reading them. The amount of interesting and important printed matter put out and circulated at the expense of the Government is extraordinary when you consider how small a fraction of it is ever read by anybody, and what we have to congratulate ourselves on is that in recent years there has not only been an interesting development of the activities of the Department of Commerce but an interesting, though slow, extension of the knowledge that it existed and that it was doing very useful and informing work. I commend to you the enterprise of informing our fellow-citizens that there is a great deal to be learned in Washington if one cares to learn, and a great deal to be learned from Washington.

Far Reaching Scientific Work of Government Agencies

Why, ladies and gentlemen, some of the most important and far-reaching scientific work in the world is being done at the quiet government agencies of this city. Anybody who has not visited the Bureau of Standards, for example, has no conception of some of the niceties of exact work which have been going on there, and I want to add that it is not very creditable to the United States that some of the most able and devoted men of science in this country are conducting patient investigations of the most important kind in this city on a pitifully small compensation; not allowing themselves to be tempted elsewhere by commercial offers, by a great deal more tempting offers so far as compensation was

concerned than the Government apparently ever will make. I know men toiling here on \$1,800 a year, who could give some of the best scientific men in our university faculties points and beat them in their own field of investigation. I am at once proud of them and sorry that the Government does not treat them better. But this is a place where the Government exerts itself in an extraordinary degree to supply the country with information and finds a very small market for it. What I want you to realize is that while a great many persons have been crying out that we did not have the scientific instrumentalities for doing business upon an exact foundation, they have long existed and are now being rapidly developed. There never was a time when the means of making conquest of every opportunity in the world were more abundantly open to the business men of America than they are now, so that unconsciously before the war began and before anybody on this side of the water at any rate dreamed that war was imminent, we did make preparation for the tasks of peace which fell to us as a neutral nation when that struggle began.

"We Ought to Have a Really Scientific Tariff Board"

There are some instrumentalities which we still lack and which I believe I can confidently predict we shall get. For example, we do need an instrument which will have a wider scope of power of inquiry in the field which for lack of a better term we call the field of foreign exchange and therefore the field which is touched by all matters affecting tariffs. We ought to have a really scientific tariff board, and I think we are going to have one. I want to say that before the whole face of affairs was changed in the economics of the world by the war, I was not in favor of a tariff board, because the purpose of it then apparently was to keep alive an unprofitable controversy. I am not interested in the doctrine of protection; I am not interested in the doctrine of free trade. I have been a college professor and know why I am not, because there is nothing in either doctrine. The only thing that is interesting is the facts of commerce and industry, and the only thing that it is right to deduce from the facts is something that has nothing properly to do with party politics at all. I might be willing to pray that a day might come when that was universally perceived if I was not in the habit of reserving my prayers for things that can be hopefully looked forward to. I am not sure that God can over night alter human nature, and we have got so ingrained in us the passion and the prepossessions of this controversy that men think their salvation lies where nothing but controversy lies. But since the whole face of affairs has been changed by the war, and since no man can tell until the new facts are collected and digested what the correct details of economic policy are, I am heartily in favor of a tariff board; only I wish that it were not necessary that it should fall to my lot to choose the men who are to compose it. I look forward to that task with a great deal of trepidation. I know a good many impartial men on a good many subjects, but the impartial men on that subject are so few that so far I know only one and I shall have to institute a very elaborate search for the rest. I do not know how many there are going to be; I hope not many, because I know the difficulty of the task.

An American Merchant Marine

Then there is another instrument which we lack, ladies and gentlemen, and which I confidently hope we shall have, at any rate that we shall make ready to get as soon as possible, and that is a merchant marine. While all the rest of the world is at war we cannot deliver our goods in other people's ships, and we have hopefully expected that ships would be built by Americans, but there have been no violent symptoms of that prospect being realized and it is absolutely necessary that we should make a beginning in some way. I think the necessity for this has been more and more perceived in the last eighteen months. A year ago when the original shipping bill was introduced I was told that a revolution of some sort was being proposed. I am not afraid, ladies and gentlemen, of any kind of a revolution that is useful. I do not care by what honest process the goods are delivered, but they have got to be delivered. We cannot hold our whole economic life up stagnant because we are afraid to try experiment. I am not afraid to try any experiment provided you put the trying of it into competent hands, the hands of men who understand business and who are truly devoted to the interests of the country, because, after all, the interest in the new shipping bill centers in my mind just as much in the shipping board as in the arrangements which it contemplates for the building of ships. We have needed some guiding minds by which this thing could be worked out and men stimulated to do by private enterprise what the Government ought only in the last resort to undertake, but nevertheless capable of guiding governmental effort if private effort will not suffice. Every American prefers the initiative of private capital, but if private capital will not initiate, then it is necessary that somebody else should do it, and the only other instrumentality by which it can be done is that instrumentality which represents all of us. I believe that we are presently going to have that means.

Business Needs Being Met

So this interesting thing is happening, has happened in the last three years and is happening still, that the business needs of this country are being studied and are being met, and they will continue to be met. It is amazing to me how long it took to make a start in these things. The reason I was saying just now that I was appalled by the accumulation of talk is that I remember the recent history of the United States. Nothing was longer discussed, for example, than the banking system of the United States, and everybody said that it was abominably bad, and nobody did anything. I could suggest some of the reasons, but they are not reasons that I care to discuss when everybody is in a good humor. It was not intended in some quarters that anything should be done about the banking system of the United States, but even there the resisting force, while it was a selfish force, was an honest force. I wish that the Lord had made all the stupid men knaves. They would be so much easier to deal with. But when the resisting force consists of honest men, you apparently first have to convince your fellow-citizens that the men who are resisting you are not dishonest. Now that is not fair because the last thing they will believe is that eminently successful men are stupid. And yet some eminently successful men have been

exceedingly stupid. Their power of staying still is incalculable; their mere inertia has the majesty of nature itself; and all of that has to be overcome whenever you begin to do a new thing.

Men treat a new thing as they do a strange dish. They not only will not partake of it, but they do not like to look at it. They turn away from it with an instinctive repulsion. I heard of one group of gentlemen, several hundred strong, who vowed that they did not believe in the federal reserve bank system, and it was found that only four of them had read the bill. They had just that attitude; they not only would not partake of the dish but they would not look at it. They knew beforehand that because it was strange it was bad, and it was incredible to them that it should be nutritious as well as palatable. Now, the thing has not proved to be even unpalatable. Not only has nobody been hurt by it, but I challenge you to cite me a time in the past when the resources of the banks of this country have accumulated faster or in more solid fashion than in recent months. The figures speak for themselves. The United States never was in a condition of such financial strength as she is at present or in a position to use her financial strength with greater facility than she is at present.

A Finance "Wholesome and Satisfactory"

You see we have instrumentalities of inquiry here which are imperative and it is perfectly possible to know exactly what is going on in the financial world, and everything that is going on in the financial world just now is extremely wholesome and satisfactory, but that only makes me feel the greater gratification that this inertia has at last been overcome. The only good thing at present that I can be sure of that is coming out of this war is that it is going to make it absolutely necessary that everybody should get a move on him. You cannot do your business after this war is over the way you did it before it began. You cannot limit your horizons when the war is over as you limited them before it began. You cannot limit your activities; all the winds of the world will seem to catch them up and make them parts of the very currents of humanity.

There is, if only we can keep this great nation at peace, an infinite prospect of happy prosperity before the United States; not because others have suffered, but because the United States is ready to help, because the United States is ready to serve the rest of the world with her resources. I believe that she will serve the rest of the world in handsome and gallant fashion, not taking advantage of their necessities, but only taking advantage of the legitimate opportunities which the circumstances have created.

Development of the National Chamber

I have followed with a great deal of interest, gentlemen, the work of this association, and my interest has been chiefly due to the fact to which I called your attention a year ago. You are beginning to know the other parts of the country just as well as you know your own part of it; and better than that, you are beginning to know what the other parts of the country think as well as what your part of the country thinks. And it will often happen, I dare say, that you will find that other parts of the country have an idea or two. One of the best schools that I have attended I am attending now, the school which brings me into contact with men of

all sorts, of all occupations, from all quarters of the United States; and brings in, more than I can assimilate of course, an infinite deal of instruction and an infinite deal of inspiration and consciousness that the best function that I can perform is to register these interesting impressions; to understand, not to let my own opinions or prepossessions stand in the way of understanding, to try and make myself a vehicle by which to interpret the general life and purpose of the country. And very few instrumentalities are, or will be, more serviceable than yours in this digestion and comparison of views, this frank assessment of the opinion of the business men, at least, of the country, with regard to all the great matters of public policy. I congratulate the country upon having such an instrumentality, and I think your own committees will testify that they have a broader conception of what this association can do than they had before, and that they have this as their leading conception, that the life of this country does not reside even chiefly in any center of population of the United States.

Our National Mutual Dependence

New York knows as much as New York can know, but

it could not do without what San Francisco knows; it could not do without what New Orleans knows; it could not do without the contribution of any part of the country with regard to the general situation of the nation, and this common impulse is the democratic impulse, the impulse which comes from the general life and feeling and purpose of the country. For, after all, purpose is the only creative thing in the world, and the only hopeful purpose, the only serviceable purpose, is that which is purified in motive. Patriotism, ladies and gentlemen, is a word to conjure with, but it is a thing to redeem a nation with, because if you once get into your imagination any part of the conception of a great nation every individual in which is interested in the welfare and prosperity of all of it, you find the only means by which your own motives can be not only enlightened but purified—the only source from which you can draw, as it were, from the common sources of red and pulsating blood that make for energy and variety of action and sweep of enterprise; for we ought to have minds as big as our continent, purposes as great as our historical traditions, and a business that looks out upon all the world, to make peaceful conquest of every field of legitimate endeavor.

The National Chamber a Democracy of Business

ADDRESS BY JOHN H. FAHEY

(Concluded from page 17.)

really been a call to service on the part of those who have joined to make it possible. Your Directors and committee men have given of themselves freely. There has been assembled here in Washington and in the field an organization of young men of character who have never counted the hours or considered the question of recompense and we are under great obligations to them as we are to the many volunteers whose efforts we have commanded. Despite the fact that your Board has dealt with many controversial questions and many of vital concern to individual interests no member has ever sought advantage for himself or his associates.

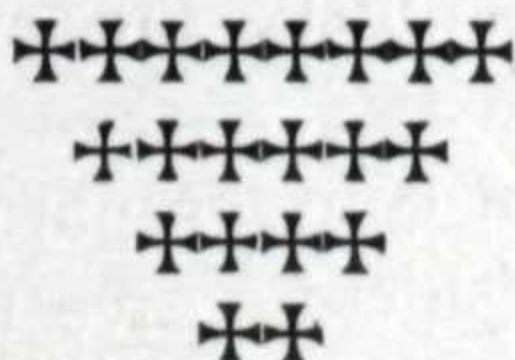
An Inspiration for Further Progress

What better inspiration could we have than these facts

in going forward with enthusiasm for the further betterment of this organization.

Its work has hardly begun. We have only had a glimpse of its possibilities as yet. At a period in the history of this country when we are encountering new experiences, when the nation in the fulness of its youth, with everything before it, is seeing new visions and assuming new responsibilities, this organization of American business men is ready at hand to assist in constructive work which can scarcely fail to arouse our ambitions and stimulate our energies.

If we stick to it loyally, having always in mind the common interests and the magnificent traditions of these United States we will each and every one get out of our lives that larger satisfaction which always comes from knowledge that we have really served.



linked with the other. Admiral Mahan understood their relationship. In one of his most instructive books, he said:

The necessity of a navy in the restricted sense of the word, springs, therefore, from the existence of a peaceful shipping, and disappears with it, except in the case of a nation which has aggressive tendencies, and keeps up a Navy merely as a branch of the military establishment. As the United States has at present no aggressive purposes, and as its merchant service has disappeared, the dwindling of the armed fleet and general lack of interest in it are strictly logical consequences.

With the unusual opportunities for building up a commercial marine offered by the sad engagement of nearly all of Europe in war, our shipbuilding plants are congested with work and with contracts for further work, and it is said that if they had the capacity they could double the contracts they now have. The great demand for bottoms to carry cargoes under the American flag was evidenced the other day by the high prices bid for the 30-year-old collier *Justin* which the navy had purchased for \$175,000 and for which was bid \$226,000. To protect the merchant marine, which the eye of imagination can even now behold in the offing of the future, an adequate navy must be provided.

What is An Adequate Navy?

But the question is asked, what is an adequate navy? There is one class of people who tell us that it is all right to continue building our navy along lines on which we are at present proceeding. Then again there are others who insist we must have the biggest navy in the world immediately. In between these two extremes we must seek to find the golden mean in naval construction.

There is a very good story told in "The Hoosier Schoolmaster" of a young Easterner who had gone out West to recuperate after a breakdown at college.

In the community he visited he found that the public school was without a teacher. There had been a set of rowdy boys there who had driven away every teacher—seven in number—and had decided that they would have no schoolmaster to rule over them. Unafraid, however, this lean and apparently anaemic young Easterner applied to the school committee to become the teacher. They accepted him after giving him fair warning of what he might expect.

On the day on which school began, he found the young incorrigibles of the neighborhood in full force on the front bench immediately before his desk. As he went in, he took out of one pocket a six-shooter and out of the other a hammer and a little box of tacks. These he calmly deposited upon the table between him and the young gentlemen on the front bench. Then he took out of another pocket a Bowie knife such as Daniel Boone and David Crockett used to carry and after sharpening it in a leisurely fashion on his boot, he laid it down on the table. He thereupon took up the hammer and tacks, and walking slowly to the end of the school room he lightly tacked up a card-board target, and returning he took his position on the bench, and firing over the heads of the scholars, he emptied his six-shooter each bullet hitting the bull's eye right in the centre. Reloading his six-shooter, he laid it down on the table on the opposite side of the Bowie knife and looking at the roistering youngsters, who sat before him now with pale and astonished faces, he solemnly and piously said: "This school will now be opened with prayer."

This young teacher felt—and the boys showed their agreement by their peaceful deportment—that he was adequately prepared for the difficult problems which faced him. The sequel shows this preparedness was indeed adequate.

I regret very much indeed that my colleague, the head of the army is not here today. The army is the older branch of the military service in this country, having been

organized before the Navy Department, and I had hoped to have the pleasure of hearing Secretary Garrison concerning the plans for national defense on the Army side of the defense program. I had expected to follow him and profit by the inspiration I should receive from his remarks.

But to return to the program for an adequate navy; It cannot be a "standpat" program. It requires larger building programs than those that have been passed annually during the last decade. The program offered by the administration is a constructive, progressive one, and if built according to the continuous 5-year program—the first continuing program ever proposed by an administration—it will give us by the year 1921, 33 capital ships of the first line, and 25 battleships of the second line, with 10 armored cruisers, 108 destroyers, 175 submarines and smaller craft in proportion.

We must choose the policy of progressive construction as the President recommended in his message. We must proceed along common sense lines as did the peace-loving Benjamin Franklin in pre-Revolutionary days. I confess myself a disciple of Franklin. He was a publisher and editor, greater than any of the profession who regard him as their leader. He was a pioneer in the development of electricity and a man of science.

The Wisdom of Ben Franklin

I have none of his scientific talents but my heart beats with hospitality to the marvelous strides electricity is making in our own day, and I have called to the aid of the American navy, so far as I was able to do, the counsel of the foremost scientists in America today, as science itself estimates scientists. We have organized the scientific Naval Consulting Board with Thomas A. Edison as its chairman and all other members elected by the great engineering and scientific societies of the country. I have often said with Franklin: "There never was a good war nor a bad peace," and from my boyhood days my heart has thrilled with the story told of this typical American, as, with resolution stamped upon his benignant countenance, he thrust forward the Declaration of Independence with the ink on it scarcely dry from Thomas Jefferson's pen, and pointed out the spaces where the delegates from the Colonies should sign, quietly remarking: "Gentlemen, we must all hang together; if we do not we will all hang separately."

This is a time to study Franklin's life, now that the issue of preparedness looms large before the American people. When liberty was cradling, when the cause of the American Union was yet in the shaping, Franklin was one of the great leaders of American preparedness. What was his part in the Colonial wars preceding the Revolution and in the Revolution itself?

This man devoted to peace and who abhorred war as profoundly as any of us do today—let us see what he did in the way of preparedness under tremendous difficulties, under the difficulties of welding together the various factions in the 13 Colonies. Governor Keith of Pennsylvania said of Franklin:

He was a good governor for the people, though not for his constituents, the proprietaries, whose instructions he sometimes disregarded. Several of our best laws were of his planning and passed during his administration.

Says one of his biographers:

It is fascinating to turn back full 30 years and to recognize the stately Franklin of the Revolution in the active young hero, working for the defense of his country in the several Colonial wars that preceded.

The War of the Austrian Succession, the effort of Maria Theresa to maintain the throne of the Hapsburgs against the alliance of Prussia, France and Spain, was known in the Colonies, where it also broke out, as King George's War, and during its progress Pennsylvania was helplessly exposed to invasion from the sea, but all efforts to place the Colony under military efficiency was baffled by the Quakers whose principles and practices were opposed to war in toto even when their lives were endangered. This attitude on the part of the Quakers begot an attitude of hostility on the part of the other Colonists, and not only an attitude of hostility but of indifference to defense measures lest the Quakers should share in any benefits flowing from them.

Franklin compared this element of the population to "him who refused to pump in a sinking ship, because one on board whom he hated would be saved as well as himself." Pennsylvania, therefore, and contiguous Colonies as well, were in a pitiful plight and French and Spanish privateers had unopposed entrance into the harbors and bays of the eastern coast.

Franklin on National Defense

It was in this plight of the Colony that Franklin launched into a campaign to arouse public sentiment, and having the Pennsylvania Gazette, of which he was editor, as a powerful instrument to that end, he published therein his famous pamphlet, "Plain Truth," of which he says:

I stated our defenseless situation in strong light with the necessity of union and discipline for our defense and promised to propose in a few days an association, to be generally signed for that purpose.

At the first mass meeting which Franklin called, he got 1,200 signatures to his constitution and in a few days more the number was augmented to something like 10,000. Military companies sprang up on all sides and drills were regularly held. Franklin utilized the enthusiasm of women by soliciting them to devise mottoes and designs for banners to be presented to the militia. He himself was offered the colonelcy of the city regiment, but although he declined it, he proved his disposition to share in the labors of the soldiery, for, as he himself tells us: "I regularly took my turn of duty there (at the battery) as a common soldier." His own enthusiasm was enhanced as he saw a fortress below the city coming into formidable shape. With his characteristic ingenuity he devised a plan to raise funds by means of a lottery. Old cannon were secured from some of the other Colonies. Governor Clinton of New York was applied to for cannon and at first peremptorily refused to give any, but a banquet was held at which there was a "great drinking of Madeira wine" and under the mellowing influences of the cup the irascible Governor relented by degrees and first agreeing to lend 6 cannon he increased the number to 10, and afterwards finally to 18.

All of Franklin's tact and powers of adjustment were called into play by the attitude of the Quakers, but Franklin was surprised as well as gratified to find his efforts were not in vain along these lines. They slowly and almost unwillingly began to realize the necessity of self-defense and

some of them began to send him a secret word of their favor of his plans and some of the wealthier in this same secret way contributed funds. One of them sent him £60 towards his battery fund. He says in his autobiography:

When powder was wanting (I think it was for the garrison at Louisburg), and the government of New England solicited a grant of some from Pennsylvania, which was much urged on the House by Governor Thomas, they would not grant money to buy powder, because that was an ingredient of war; but they voted an aid to New England of three thousand pounds, to be put into the hands of the Governor, and appropriated it for the purchase of bread, flour, wheat, or *other grain*. Some of the Council, desirous of giving the House still further embarrassment, advised the Governor not to accept provision, as not being the thing he had demanded; but he replied, "I shall take the money, for I understand very well their meaning; *other grain* is gunpowder;" which he accordingly bought, and they never objected to it.

Taking the cue from this brilliant hint about "other grain," Franklin was emboldened to call upon the Quakers of the fine old City of Brotherly Love and the Colony of Pennsylvania to contribute further to his lottery for the battery and he said to those who were holding up his hands in this enterprise:

If we fail let us move the purchase of a fire engine * * * The Quakers can have no objection to that; and then if you nominate me and I you as a committee for that purpose, we will buy a great gun, which is certainly a *fire engine*.

It was in these preparations for the defense of the Colony against aggression that Franklin stepped up into a place of eminence as the leading man of Pennsylvania. He passed on from the Common Council to be Alderman and was finally elected for term after term to the Assembly, and then his influence began to spread and his name to be magnified amongst the Colonies beyond his own borders.

His Statesmanship

There was born in Franklin's mind during his strenuous efforts to protect Pennsylvania from invasion an unshakable conviction that an inter-colonial union should be established. Franklin used the brief interval of 7 years between the close of King George's War and the outbreak of the French and Indian War to advocate with all his eloquence the absolute necessity of federation. Says one of his biographers:

The great genius which later won such brilliant victories in the cause of union in the infant days of the republic was not the spontaneous outburst of that particular period. It had been shaping in Franklin's consciousness for nearly forty years. The Constitution of the United States was the mature product of a long and never-flagging campaign which Franklin had been waging ever since the days of King George's War.

In one of issue of the *Gazette* he startled his readers with his famous device of the dissected snake, representing the various Colonies, and labeled "join or die." It was not long after this that Franklin went to Albany, New York, to meet with the Commissioners from some of the other Colonies in treaty with the Indians of the Six Nations. It was also understood that this conference was to discuss plans for a Colonial Union and Franklin thus had his first chance to put his long cherished ideas of union into practical shape.

On his journey from Philadelphia to the New York capital he put his plan in writing ready to be submitted to the Commission. It is all too true that it was to be later rejected by the controlling powers of the Colonies, but its

adoption by the Commission was itself an important event and put a lever in Franklin's hands for further effort. Professor Frederick S. Dunn, of the University of Oregon, in commenting upon the preparedness plan of Franklin says:

The subsequent creation of a Continental Congress was virtually a slight modification of Franklin's original Albany plan, and the Continental Congress in its turn the nucleus of the final form of the American government. In substance the scheme was as follows: The several Colonies, without forfeiting their own state-sovereignty or independence, should vest their common interests in a Grand Council to meet annually or, in emergencies, oftener, this Council to be composed of delegates, not more than seven nor less than two from each Colony, according to the population and property-tax, the chief officer of this body, entitled President-General, to be salaried appointee of the Crown, with power of veto and nomination; this general body should have legislative powers in all that concerned the general welfare, such as the management of Indian affairs and the maintenance of a Colonial army, all legislation, however, to be subject to final approval by the King and his council. Such was Franklin's document as finally recommended to the Albany conference on July 10th, 1754, by the committee of seven, but, of course, the conference in turn could only recommend it for adoption by the several Assemblies, and even then, the ultimatum from the home government was to be awaited.

Franklin always concealed disappointment under the cloak of benignancy, but that he experienced a profound disappointment is evident from what he says about the failure of his plan to be eventually adopted:

Its fate was singular; the Assemblies did not adopt it, as they all thought there was too much *prerogative* in it; and in England it was judged to have too much of the *democratic* * * *. The different and contrary reasons of dislike to my plan made me suspect that it was really the true medium; and I am still of opinion it would have been happy for both sides if it had been adopted. The Colonies so united would have been sufficiently strong to have defended themselves; there would have been no need of troops from England; of course the subsequent pretext for taxing America, and the bloody contest it occasioned, would have been averted. But such mistakes are not new; history is full of the errors of states and princes. * * *

Those who govern, having much business on their hands, do not generally like to take the trouble of considering and carrying into execution new projects. The best public measures are therefore seldom adopted from previous wisdom, but forced by the occasion.

The English Government fearing as the result of this proposed union of the Colonies, that they might acquire too much military prowess and thus be armed against the home country in case dissension should arise, sent over the ill-fated Braddock with an army of British regulars, who were to furnish the military strength of the Colonies. A decade now passes before the question of Colonial union is again thrust forward as a prominent issue. Throughout the French and Indian War Franklin is a towering figure. There was no spirit of sulking in him. Braddock, ungracious and contemptuous, made himself and his army of red coats unpopular from the start. It was then 22 years before the Declaration of Independence was drafted, but it required all of Franklin's poise and diplomacy to keep the peace between the soldier, martinet and aristocrat that he was, and the Colonists. The Pennsylvania Assembly sent Franklin to see Braddock at Frederick, Va., and he found the general possessed of "too much self-confidence, too high an opinion of the validity of regular troops, and too mean a one of Americans and Indians." He sneered at Franklin's distinct warning against the dangers of Indian ambuscade. Brad-

dock was writhing in disgust at this time because Virginia and Maryland had supplied his army with only 25 wagons for his transport and commissary. Franklin, through his paper and by his influence, quickly secured 150 wagons and 259 "carrying horses" for Braddock from among the thrifty Pennsylvania farmers. He also furnished 20 pack horses for poorly paid officers in Braddock's force.

Braddock was naturally delighted with Franklin and in his letters to the home Government accorded him the highest praise for his foresight and efficiency.

Braddock's High Praise of Franklin

Braddock could have saved himself from ignominious defeat and his name from contumely, if he had heeded Franklin. The latter was filled with forebodings when the general began his advance, and threw cold water on a proposal of certain over-forward Philadelphians to buy fire-works in advance for the purpose of celebrating Braddock's much boasted forthcoming victory. But it was a severe shock, nevertheless, when the news of the defeat came. Then came a distressing period of worry, which his philosophy helped him to tide over, when he was harassed on every hand by the farmers who had furnished the 150 wagons and the horses. Franklin had given bond for 20,000 pounds sterling for these wagons and supplies, but, after disgraceful repudiation of the debt by the British military authorities, it was finally assumed by the Colonial Government of Massachusetts. During this period Franklin accepted the administration of Pennsylvania's newly created war fund. And this led inevitably to his being placed in actual charge of the militia on the northwest frontier, where the massacre of the Moravian settlement of Gnadenhutten had just occurred, and where he built a fort and installed a little army of 560 men. Every night during the entire winter he slept on the floor of a hut with only a blanket or two for cover.

When the Assembly of the Commonwealth sent for him again, he could hardly sleep the first night at home, as the bed was too comfortable. Upon his return to Philadelphia he found a splendid military establishment had been set up, due entirely to the merits of the bill he had drawn up and had passed in the Assembly. Soon afterward he was sent to London to intercede with the King and his Ministry in the interests of the Colonies, and although the French and Indian War ended during the second year of his 5-year stay in London, all his abilities and energies were called forth in the effort to secure justice from a purblind government on behalf of the Colonies.

If Franklin's voice had been heeded now as heretofore the course of history might have been vastly different. But man of peace as he was, striving to prevent the impending revolution, he nevertheless must have rested in the satisfactory contemplation of the thought that he had allowed no man to be before him in his efforts for preparedness, and the fact that the Revolution, against overwhelming odds, was finally decided on the side of liberty was largely due to his foresight and efforts to prepare during his long service as a commoner and public servant in the era preceding the Revolution. He had the spirit that later was shown by Lincoln and by McKinley and that is now daily in evidence on the part of Woodrow Wilson.

Vocational Education and Industrial Efficiency

By HON. WILLIAM C. REDFIELD,

*Secretary of Commerce.**

I AM almost torn between two strong desires this evening. I should like very much to take you into the outer room and there deal with some of the romances of applied science that are hidden away behind the very simple exhibits that we have there been able to gather. I should like to call your attention, for example, to the little lighthouse which is there operating and point out to you that when the light goes out there is nothing between you and it save clear glass and ask you to think of the wonderful skill of the scientific worker that has made such perfect lenses possible. I should ask you to travel through the Mississippi Valley with me and study the wonderful biological work which has resulted in the maintenance of the pearl button industry through the habitual inoculation of fish with parasites, and on through a story fascinating to me but I think perhaps already familiar to many of you.

But you have to follow me two gentlemen who I am as eager to hear as you. I remember hearing President Nichols speak and wishing he had taken ten times as long as he then did. I have the greatest honor and admiration for Mr. Elliott in the difficult, unselfish, and constructive work which he is doing in up-building one of our great properties.

Tonight I must leave the work of the day and go with you into another and perhaps a greater theme. Long years ago we were making in our shop a certain article with some regularity and on an occasion responded to a request for a quotation by quoting 18 cents apiece. We were rather shocked when we received a letter from our former customer saying that a competitor of ours had taken the order at 12 cents. I suggested to my senior that perhaps our competitor had made a mistake. He said, no, he did not think that Mr. So-and-so had become a fool. He had never been one theretofore. The probability was that there was something wrong with us. That led, fortunately, to a searching study of the methods in our factory. Incidentally, we did not question whether our competitor paid higher wages than we. We did seriously question whether his methods were not better than our own, and we found they were better than ours and altered ours to suit. We got the next order.

You and I as business men are looking out into a world in which we are but sensible if we expect there will some day be very keen commercial and industrial rivalry. What is to happen after the war is a question on every man's lips, but there are none so bold as to give as yet a very positive answer. Yet there are two schools of thought on this after-

the-war problem. For one school there hangs over all things the shadow of a fear and they seek to be helped and guarded. For the other school there is unquestionably a serious outlook but they look to it as a call to keener self-study, to sharper criticism of themselves and of their own methods.

We have had two great rivals in the world at large, in the commercial contests of the world. These two are Germany and England. Each has had its marked characteristics, as we ourselves have had. The methods of the three nations have been as unlike as they are different in their localities and temperaments. The German has applied science to business as no nation has ever done, and he has added to the science of research the equally important science of organization. The Englishman has brought to his business a certain peculiar type of bulldog courage, backed by the largest amount of free capital the world has ever seen gathered in the hands of any one people, and he has sold all round the world to industries and customers kindred to himself as no other people has ever been able to do. We have lacked the science; we have lacked the organization; we have lacked the free capital. It is but within eighteen months since we ceased to be the world's debtor. We have not had the bulldog courage of the Englishman. We have

rather in the foreign field been characterized by timidity. We have had, however, a keen alertness of mind and a quickness of commercial adjustment which has saved us. By that means and without the facilities that our rivals have had we had built up prior to the war a foreign trade approximating \$2,500,000,000 per annum, the greatest tribute I know of to the competing power of the American manufacturer in face of the fact that he lacked all the facilities his great competitors had.

Now the rivalry between these three great contestants is to go on. There is no reason to be afraid on that account. There is sound reason to be very thoughtful on that account. We are as he going to battle who has to take account whether he may with 20,000 meet him who cometh against him, so to speak, with 40,000. We are to take stock of ourselves, soberly but without fear, in order that when the time shall come we may be ready.

So, painfully and slowly, we are beginning to annex science to our business. Come with me, if you will, any day to the Bureau of Standards and see how little as yet American industry recognizes the value of science. Come with me to the same place and see how, with halting steps and slow, it doth begin feebly to remember that science hath something to say for industry. You are yourselves my



© Harris & Ewing

Secretary of Commerce Redfield

*Address of Secretary Redfield, February 8, before the Fourth Annual Meeting of the National Chamber.

witnesses that there has been in American thought, and still too much is there, this sharp distinction between what we are pleased to call the scientific and the practical, as if a thing could be in the truest sense scientific without being thereby practical. While Germany has sought in the depths and in the heights and around the world in scientific research that which has made her great and powerful, we have been nearly content to let it all go by.

But that day is passing rapidly and now in one and another industry we are seeking to know, seeking to learn the beginnings of the things which lie beneath our industries. Yet it is only within a few months that certain industries have resisted the call to study into the scientific problems that underlie them. Happily, happily for us and for our future, that day is passing and has in large part already passed. We must annex science to business if we are to be what we ought to be in the world's contests.

Perfection of Organization

Passing now to the second great characteristic of that particular competitor organization, this also we have seriously lacked. Let any of us go into the world abroad and see what we meet when we find the German competitor with whom we must contend, what trained forces, a staff of men in every country familiar with the country, speaking the country's language, according themselves to that country's customs, not laughing at the thing that sounds to them queer but accepting it as of this people and adopting it to their good. We find an infinitely patient and skillful adjustment of German ideas to the foreign market, doing that which the foreigner likes to have done in the way he likes it done in order that they may by all means get the business of that foreigner.

To their organization abroad they add a quality of organization at home which we have in spots but not very widespread as yet. A great German manufacturer once said to a friend of mine, "it is not our wages which make us dangerous. It is our organization." For in the German shop the head of the business is a master of his business, and from him down through the office, through the shop, down to the bottom, every man in the place is a master of his part of the business. And there is where we show in poorest comparison with the German manufacturer.

I shall only speak further of the Englishman to say that we are beginning, thank God, to have banks abroad ourselves. We are beginning to reach out the investment of American capital so that we may sell to friendly interests abroad too. Let us hope it may speedily enlarge.

But I want to come back now into the German factory and go through it with you, if you please, and look at the men at the benches. I am of course speaking of normal times. Those men are trained men. They know the what and the why of the work they have to do. Look into the organization of the schools of Germany and you will find the school system devoted to training—what? Training whom? The artisan at the benches in the factories. We are competing with specialists not at the top, but also at the bottom and all through when we are attempting to compete with the best of German industry.

Against that let us place a sad picture presented by certain great American industries, for example in one very

large establishment employing in all its branches some 24,000 hands—and observe the use of the word "hands," so different from minds. What a confession of our own inaptitude when we speak of our employees as "hands," and how different the outlook would be if we spoke of employing so many "minds!" In this great establishment with 24,000 human souls employed in one year there passed through the mills about 59,000 souls. Is there a sadder spectacle than that of the incompetent ones who enter your establishment, fail and go out at the back door? Is there a sadder tragedy in industry than that of those rejected as unfit? The case I speak of to you is not an exceptional case save by its bulk. There is a case on record in this country, of which some of you are aware, where in a single year to keep the mill going they had to employ ten times the working force. That picture again, if your imagination is let go, will show in those that are rejected another of the industrial tragedies.

We have been very proud of our school system in this country, and we are justly so. He is not the friend of education of any kind that casts any aspersion upon the value of that system, but there is a curious gap in it, a gap in it which it is high time we did something to fill up. Vocational education is a process which we started in this country, went a little way, came to an abrupt stop, and have not gone on. We believe as a matter of course in certain elements of vocational education. The lawyer has a vocation and we train him in a law school. The physician has a vocation and we think it quite proper that a physician should be taught. Indeed I think we have gone so far, have we not, as to require that the physician shall be taught. Do we not even require that a horse doctor shall be taught? Are we not quite insistent that a dentist should be taught his job and that a minister shall learn in some school how to pursue his profession?

These things are quite commonplaces to us all. In what we are pleased to separate from the rest of life and call the professional side of things we have long believed in and practiced measurably vocational education. A few years ago we took a step farther and picked out of the world which remained after the professions, as we call them, were cared for, the farmer's boy, and we began to establish all over America schools for the farmer's son, until the agricultural college has become an accepted thing in many if not all of our great universities. So we are training the farmer's boy in his vocation. We are teaching him how to be a farmer. But there, or almost there, we come to a stop, and the situation today is that there remains a great gap in our population among our boys for whom nothing is done. I do not mean by that that something is not done for some, but nothing for by far the great mass. Half of our boys leave school when they are 14 years old. A bare 5 per cent of all get through into the colleges. Half of them go out into the world at about 14 years of age. What do they go with? What have they had when at 14 years of age they leave the high school or the grammar school to tell them how to live?

I have in mind a boy who left one of our great Brooklyn schools at 14 because his mother required his assistance. What could the boy do? He had never been taught anything in the way of work. Education had never been ap-

plied to that boy's life. It had been applied to certain corners of his mind and he knew a few things very ill, but he had never had an opportunity to learn in the great city in which I live how to earn his living. So he drove a grocer's cart at \$3 a week for lack of knowledge how to do anything at all, until in a little club where some men had gathered a few hundred boys from off the street there came a good electrician of evenings who was so interested to teach boys work that he was willing to give his time. This boy sat at night and learned of the electrician. In two years he was earning \$25 a week as electrician of a moving picture theater. I never lose sight of that boy when I think of what industrial education means to our young people.

Manual Training Schools Do Not Supply Need

We are almost wholly failing, my friends, in this country to do anything whatever for the mechanic's son. The city boy is in large measure turned loose upon the city at about 14 or 15 years of age unready for life, and his sister, more is the pity, goes with him, too, for she must needs earn in many a family. From many an artisan's home there has gone up the cry for an opportunity to teach our boys. The father knows what it cost him to learn to be a machinist. He knows how he rubbed the knowledge of his training off from an unwilling foreman or from a busy associate at the bench or by making mistakes, by a process of attrition, which it would be a shame to call education. It took him ten years or more to learn his trade and he was 27 or 28 years of age before he was a full-grown journeyman, able to earn a man's wage.

We used to take into our shop men of 30 or more who were still what we call "handy" men. They never had a chance to learn *how* in America. We have got some schools, such as they are, good, many of them, all too few, and we have the things we call manual training schools, which do not at all supply our need, for manual training is not what we want in a lot of things. We want our boys, our artisan's sons, to come into our shops at 18 or 19 years of age trained journeymen. We want to cut out of our factories the fearful waste of keeping a kindergarten therein. There is hardly one of you familiar with industry who does not know that your foremen and superintendents spend a lot of time in what is after all simply a pure process of education, for which they never were trained and for which they are very largely unfit.

So instead of having a big factory full of trained minds and trained hands we are getting raw material, very raw, unable to be anything else but raw, and are spending our time as manufacturers molding this material into shape in the hope and thought that at some reasonably near future time they may be ready to do good work, and all the time in all our shops there is the residuum of the untaught holding down our output, diminishing its quality, and trying your souls and mine.

The process I have stated is one which in a greater or less degree needs only to be stated to be acknowledged to be true. But what a fearfully wasteful thing it is. Let us look for just a minute at the waste it causes. In your factory and in mine instead of producing we are partly producing and partly educating, and we are ourselves the

victim of experimenting on the part of those whom we must needs teach. We make a very unfortunate proportion of seconds and imperfections and we have our output cut down by mistakes, by ignorance and by inexperience. It is all a very costly thing. Think for a minute of what your superintendent would say if on one particular Monday morning his shop was all filled with trained hands. He would think the millennium was near, and your output would look like it.

But if that process is wasteful to you it is infinitely more wasteful of the best asset of the nation, namely, our boys and girls, to start them in life with everything uncertain, with the inability to do anything positive, to send them out into the world, which you and I, God knows, find hard enough, without any teaching in work whatever, knowing how to do nothing at all, willing to work but having no one to tell them how. That is a shame upon America, gentlemen, and an awful waste of our children. Many a mechanic has sorrowed for his boy and many a mother prayed for her girl who went out untaught into a world where she must needs put her sweet femininity up against a hard world in the contests of commerce. It is not fair to the girl that she should not be taught before she goes out in the world. It is not fair to the boy that he could not be taught, and he is not taught and may not be taught as things now are unless something changes very soon.

And so, until this is altered the waste in your shops and mine and the waste in the homes of the poor must go on. Against that condition with all my heart as an American, as a manufacturer, I protest. It must not continue. We must be able to fill our factories with boys who know *why* they do *what* they do. We must not risk our young womanhood in poverty arising from the fact that we have failed to teach them how to work. It must end for our country's sake and for the sake of our industry.

The Attitude of Organized Labor

What is the attitude of organized labor toward this question? There I am sure I raise a matter in your minds which is a very clear question to you. I am glad to say, gentlemen, that the attitude of organized labor on this subject of industrial education is all that the broadest minded citizen could ask. For they have suffered. They know what it means to come out into the world, to face it without knowing how. And so the classics on the subject of industrial education are in part written by the committees of the American Federation of Labor and they stand strongly for industrial education because they know what it means to them in early producing power. Nay, they will say to you this, if you ask them, that to train a boy to work starting when he is about 14 with pre-vocational work, putting him to training at his trade at 16, and following him if you will for two years after he leaves a school in a continuation school, they will tell you that such industrial training advances the boy's full earning power from 8 to 10 years; that he is able to earn at 20 or 21 what he now earns at 28 or 29, and that by so much earlier in life is he able to have his own home and become a home maker and a home supporter. They know very well what that means to them. I wish you would grasp what it means to the

(Concluded on page 43)

The Malady of the Railways

By HOWARD ELLIOTT

Chairman of the Board and President of the New York, New Haven and Hartford Railroad Company*

ALL thinking people agree that the United States should have good railways, well equipped with sufficient facilities to do the total business of the great population with safety and despatch. Nearly all agree that the railways should increase their capacity to furnish transportation as fast as the population increases, if not faster.

In other words, it is to the interest of the public that the railways be "ready to serve" at all times and able in times of emergency to carry the "peak load." This is not the case today, and the fact that it is not is a serious menace to the present and future welfare of the United States.

Today there are 100,000,000 people in the land who must be fed, clothed, sheltered, kept warm and many of whom travel for health, pleasure and business. The railway systems are in many places overtaxed in doing this work.

What will be the conditions when there are 150,000,000 people to be served? That time is not far off, either measured in the life of the nation, or by the time and energy that must be spent in increasing the capacity of the railway plant to turn out the necessary transportation.

This means an addition of at least 50% to the number of tons of freight moved one mile and the number of passengers moved one mile. It means that the railways must be not only well and strong with their present facilities, but also that they must be nourished and their energies and powers conserved and increased.

As to Railroad "Blood Letting"

In olden times there was a system in the practice of medicine known as "blood letting." It was prevalent for many hundreds of years. It was warranted to cure all the ills to which human flesh is heir, including: Apoplexy, bruises, consumption, convulsion, cramp, delirium, giddiness, inflammation, intoxication, lunacy, numbness of the limbs, and what not. At one time it was customary for the physicians to bleed their patients regularly twice a year—in the spring and in the fall. The richer the patient, the more frequent the blood letting. The operation often caused the patient to faint; in many cases it resulted in great weakness, and often in death.

Some critics, hostile and otherwise, have pointed out that the railways have suffered from serious difficulties which may be likened to these human ills and for years the people, by means of various regulatory measures, have been trying to cure the patient. A very large number of these measures, conceived, no doubt for the most part in an honest but sometimes misguided effort to improve conditions, have

taken the form of "blood letting," not only in the spring and fall, but all the time,—a taking away in one form or another of the sustenance needed by the railways—a course of treatment which weakens the transportation system of the country, and if continued much longer, will, in many cases, end in economic dissolution or bankruptcy. This, of course, does harm not only to the unfortunate holders of the railway securities who have invested their money in good faith, but what is even more important, it injures the millions who need adequate transportation in order to carry on their daily work.

Some critics say that the Malady of the Railways is due entirely to early mistakes on the part of transportation agencies and that they must now suffer. This policy might be all right if the damage to the country was not far greater than the damage to the security holders.

Our Railways the Greatest in the World

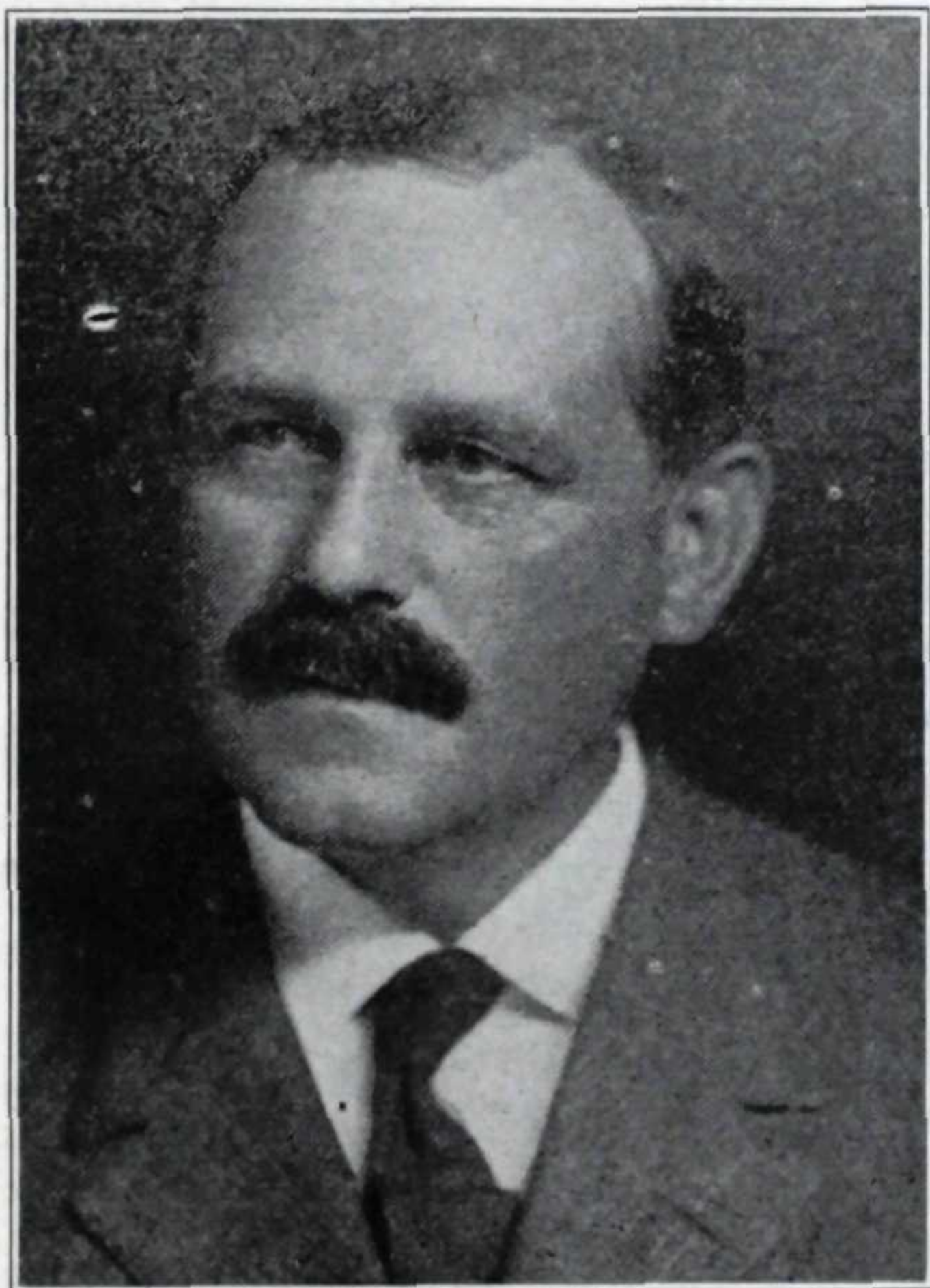
In spite of errors made in the work of creating the United States railways, they stand today as the greatest evidence of constructive work in the world, and even with their early faults and present failures they are the wonder of the world as to their constructive cost, their total service to the public, their high wages and their low rates.

Men like you, representing the commerce of the United States, should not let the penny of error in the railway life of the country blind you to the dollar of accomplishment, without which the nation would not be what it is and we would not be holding this meeting tonight.

Mr. E. E. Clark, one of the Interstate Commerce Commissioners, said in a speech a few years ago:

Even if it be true that the present financial condition of transportation agencies is due to reckless, improvident, or even dishonest financing in the past, it would be a mistake to undertake to correct it by a policy of reprisal which will impair the usefulness or efficiency of the carriers upon which the welfare—the very life—of the commerce of the country depends. That commerce grows continually, and we have seen, each year, periods during which the available facilities were sadly lacking in capacity and efficiency to properly furnish the transportation demanded.

This is in part due to the failure of carriers to provide themselves with facilities, in part to inefficient handling, and movement of equipment, in part to failure of shippers and receivers to provide room and facilities of their own sufficient for their needs, and in part to customs that have grown up in some lines of business that necessarily cause serious delay to cars and congestion of terminals. Of course, the ideal situation would be one in which the carriers were ready to provide all the equipment needed and promptly transport all the traffic offered at the time of the maximum demand, but that situation can be attained only by large additions to the



Photograph by Gilliam's Press Syndicate.

Howard Elliott

President of the New York, New Haven and Hartford Railroad

* An address on February 8 before the Fourth Annual Meeting of the National Chamber.

facilities and great improvement in methods. The added facilities can be secured only through expenditures from surplus earnings or from expansion of credit. In either way the total cost to purchasers of transportation would be increased. It seems to me that no more helpful work can be done than to bring about the highest possible degree of efficiency in the operation and utilization of the facilities now possessed.

Accepting all of the Commissioner's criticisms as to the past, it is the present and the future which confront us. Let the dead past be buried. The country must go on. The railways must be prepared to serve an ever-increasing population.

It is my good fortune to know a large number of the directors and officers of the railways in the United States and also a great many men in the ranks. I firmly believe that the great majority of them are as loyal, as patriotic and as high-minded men as any in every walk of life, and they are anxious to do their whole duty to the railways and the public they serve. Give them a fair show. To condemn railways as a whole because of the errors of a few is foolish, and to prevent their proper development is unwise, and dangerous for the future welfare of the country.

Less New Mileage and an Epidemic of Receivers

Whatever the reasons for the present Malady of the Railways, two facts stand out prominently in the history of the railways of the United States for the year 1915. One is that less mileage was built in that year than in any year since 1864. There have only been three years since 1848 when there was a smaller mileage of new railway constructed than in 1915. The other fact has to do with the amount of railway mileage in the hands of receivers in 1915. With only one exception, 1893, was the mileage that entered into the hands of receivers larger than last year; and 1893 was a panic year.

There was a total mileage of 41,988 in the hands of receivers in 1915, the total capitalization of which was \$2,264,000,000. In that year alone 20,143 miles of road went into the hands of receivers and these roads had a total capitalization of \$1,070,808,628. This compares with 4,222 miles in 1914 with a total capitalization of \$199,571,446, in receivers' hands. This is not a healthy condition; it is a malady that affects directly and indirectly everyone in the country.

Millions Interested in Railways

Let me call to your attention the millions of people directly interested in the railways. Railways do not belong to a few rich men or bankers. They are not the personal property of the officials. The directors do not own them—directors are the trustees and servants of stockholders.

There are at least 1,500,000 owners of the securities of these American railways. It is fair to assume that dependent upon these owners are four other persons and in that case this would mean 6,000,000 people.

There are 1,800,000 men, approximately, employed in the railway service, and if you allow five persons to be depending upon each, that would mean 9,000,000. There are at least 1,000,000 workers in industrial plants directly dependent upon railway operation—such as coal mines, rail mills, car shops and so on. They represent another 5,000,000 people.

Thus you have about 20,000,000 people out of a total population of 100,000,000 who depend very largely for their daily bread and butter upon having this great piece of transportation machinery prosperous. But there are a great many others who are interested. The insurance companies have \$1,500,000,000 invested in railway securities, representing 30,000,000 policy holders; the savings banks of the country have \$800,000,000 invested in railway securities and there are about 11,000,000 depositors in these savings banks. So, there are 41,000,000 people who are vitally interested, either as holders of insurance policies or depositors in savings banks, in the success of this great piece of machinery. When, therefore, you speak of the number of our citizens directly interested in the railways, you really are speaking of at least 61,000,000—the 20,000,000 I mentioned, that are personally interested, because they work for the railways or for some collateral branch of the industry, and of those who own the securities, and of the 41,000,000 interested in the investments of insurance companies and savings banks. It is well to remember this momentous fact in considering this very difficult transportation problem.

Reduced Investment in Railroad Bonds

The practice of insurance companies and banks is the highest evidence of investment value. They put the money that they hold behind their opinions, and without this money there is scant picking in the money market for those who need cash. For that reason exceptional interest attaches to the investment standards revealed in a recent statement of the banks of the United States. According to the report of the Comptroller of the Currency, the investments of 27,000 banks in railway securities during last year increased 1.73 per cent. That is the smallest increase for any class of security, national bonds excepted. The favored investment was public utility bonds, which increased 13.7 per cent. The largest increase in total was in state, city and municipal bonds, but their percentage of increase was only 10.31 per cent. Savings banks added \$55,000,000 of public utility bonds, and reduced their holding of railway bonds by \$20,000,000.

Anxiety for the Future

Many thoughtful men in the United States are filled with anxiety over the future, now that this country, whether it wishes to or not, is being forced into the position of a world power and compelled to take its part in international affairs to a greater extent than ever before.

It appears to be harder and harder to follow Washington's advice "to beware of entangling alliances." As a natural consequence "Preparedness" is discussed on all sides. There are several kinds of "Preparedness." All of our industries must be prepared—our young men must be prepared—labor must be prepared—capital must be prepared—our army and navy must be prepared, the government itself must be prepared—and, last but not least, our railways must be prepared.

In a time of profound peace in this country, the railways are congested and cannot carry satisfactorily the total load.

What could they do in their present condition if the added burden of war were thrown upon them? Many industries would have to stop because the railways' first duty would be to handle the men and material incident to war.

Railway preparedness is, therefore, a vital "sine qua non" for adequate national preparedness.

The Need of Capital

The serious freight congestion of 1906-1907 and the recent one emphasize the fact that the railways have a very small "factor of safety" with which to meet the strain of a sudden and increased load.

It is difficult to estimate how much money will be necessary to bring the railways of the United States up to the point of efficiency demanded by the business of the country, but it is likely to be more than any of the estimates yet made. An interesting and instructive report upon this subject was made in 1912 by the Committee on Internal Trade and Improvements of the New York State Chamber of Commerce, of which Mr. Samuel W. Fairchild was, and is now, Chairman. This report stated "it is estimated that it will require in the next five years, to maintain railroad facilities equal to the enormous traffic of the country the immense sum of \$8,500,000,000." Some idea of the magnitude of this sum may be had from the fact that it is eight times the national debt, it is more than two and a half times the amount of money in circulation, it is equal to all the deposits in the national and state banks, and nearly equal to the entire money value of all the farm products of the country in one year. It is over three times the annual gross revenue of the railroads, and it amounts to nearly one-half of the existing railway capital represented by stocks and bonds.

The question of obtaining the \$8,500,000,000 necessary to make railroad facilities equal to the expanding traffic of the country during the next five years therefore constitutes the most important problem now confronting business men.

Mr. Fairchild estimated that \$1,700,000,000 a year would be needed.

Billions Poured in to the Railways

In the seven year period ending June 30, 1907, about \$4,500,000,000 was spent, or at the rate of about \$650,000,000 a year. Mr. Fairchild's estimate was more nearly correct as the facilities are not now adequate.

In order to attract capital an undertaking must appeal to those who have capital to invest. Probably the most important factor in the investment of money in railway securities is the item known as net operating income, for out of this must come the return paid upon invested capital. The net operating income of the railways of the country for the year ending June 30, 1914, was \$849,122,647. This was \$8,550,000 more than was reported in 1907. In the meantime, the \$4,500,000,000 of new money had been expended by the railways, and yet after that expenditure of \$4,500,000,000 on new facilities, the net operating income increased but \$8,550,000. This represents a return of less than two-tenths of one per cent. Road and equipment

had been increased by 25 per cent. Net revenue had increased about one per cent.

Decrease in New Equipment

These billions were invested in the hope, so completely disappointed by the fact, that the additions to plant would earn a return. The result, naturally, has been to discourage additions and betterments. In the calendar year just ended, the freight cars built were the fewest since 1904 with the single exception of 1911; the passenger cars the smallest since 1902 except 1908; the locomotives the smallest since 1898; the construction of new miles of first track about 65 per cent of the smallest since 1893. It is the persistency of this trend that has attracted attention. Large tonnage and large gross earnings have not blinded the investor to the underlying financial problem, and he has placed his funds elsewhere. The problem has before been vivid in periods of business depression, but it is now coming to be recognized as a continuing menace in boom and slump alike. The railway problem is as complex and difficult, if not more so, than was the silver, or currency, problem, but business men are much better acquainted with one another and with men in public life than they were ten or even five years ago, and there is a better feeling of confidence and desire to cooperate. With this spirit there is good reason to expect that the American people will adjust this situation as they have adjusted so many others, great and small—but they must act quickly and work fast.

In order to meet the demands of peace—to prepare the railways for the peaceful needs of industry—the most general estimate is that the railways should spend for increased facilities at least \$1,000,000,000 a year for several years to come. In making these preparations due regard should be paid to the part the railways would play in case of war. They should be more than prepared. They should be able to handle an abnormal business with as much smoothness and as little loss of time as prevail under ordinary conditions. Such preparation can only be brought about by a broad-minded policy in railway regulation. If the railways are to fulfill their mission, if they are to be of the greatest service to the people, if they are to provide for future needs, they must be permitted sufficient earnings to attract new capital.

Capital, Labor and Brains

It is trite to say that capital cannot get along without labor, and that labor cannot get along without capital—and yet capital and labor both, at times, forgot this all-important fact. Both, also, pay too little attention to the fact that neither of them can get along at all without brains—brains to plan, brains to supervise, brains to direct, brains to be fair, and brains to see that the great public interest in these large industrial corporations must be constantly considered.

You are quite aware that one of your great difficulties in conducting enterprises, especially large ones, is that of obtaining men of health, courage—moral and physical—untiring industry, good judgment, and brains and experience. The lack of men with ability to direct and supervise is one element of weakness in the effort to accomplish Prepared-

ness in all its forms. Of late years this has been true of the railways. The service has been, and is, so severe that men drift into it rather than select it as a life work, and while there are thousands of splendid men in the service, there are not enough. A national policy of helpfulness to the railways should attract more brains to the business by reducing the really very heavy mental, physical and nervous strain under which nearly all officers of railways are obliged to work under the present conditions of undeveloped facilities and a more or less unreasonable and hostile attitude on the part of the law makers and public.

The Part of Capital

Capital has been mobilized in this country and in the main, with great benefits to all. It has been constructive, not destructive, because in no other way could it earn a return. It has been bold, and, at times, foolish. It has made its mistakes because it has been directed by human beings who, at times, have failed to give due weight to the public good. As a result, public opinion was aroused and this irresistible force decreed that organized capital or capital in a mass, must subject itself to certain regulatory measures. Things that were considered absolutely essential to the conduct of business twenty-five years ago are now frowned upon and even classed as crimes. The rebate and pass days have gone from the railway world. Before men realized the drift of public sentiment they said: "The country cannot say what I shall do with my own property, and if I want to give A a better rate than B, that is something between A and the railway."

Railways and business, however, have adjusted themselves to the new conditions. Laws affecting railways and business are now being worked out that would have been considered impossible a generation ago, and yet, in the present complicated modern life, some are doubtless necessary. When the unworkable features of some of these laws are eliminated business will adjust itself and capital, although perplexed and frightened, will go forward with its work; because the country must perform its functions and it must be as fair to capital as capital must be fair to the country.

What of Labor?

A natural sequence to the organization of capital was the organization of labor. Capital and the public have been partly at fault for not realizing at times the changing conditions. Lack of brains in some of the men who supervise and direct others has contributed to the dissensions. Labor, at times, has been treated with too little consideration. As a result, labor organized in order to present in forcible and concrete form, its views of the industrial situation and also to record the natural desire of every healthy man to improve the conditions surrounding himself and his family. But just as organized capital was forced to be controlled and regulated in the interest of the public, so, organized labor must be controlled and regulated. No one can object to organized labor unless its acts injure the general welfare of the public. It too must be constructive and not destructive. When it tries the boycott, in an effort to stop

the wheels of progress, to be unfair in its demands, to be unwilling to have those demands considered calmly by unprejudiced people and to abide by the decision, then the mighty will of the people will be aroused and a means will be found to retain the good features of organized labor and eliminate the bad.

The business and the welfare of the country are now confronted with concrete evidence of the great, and, at present, unregulated power of organized labor. Nearly 400,000 men, about the highest paid men in the railway service, ask that their wage day be 8 hours instead of 10, and for any work over 8 hours that they be paid one and one-half times the hourly rate for the 8 hours. It is announced that they have decided to make this demand upon the railways this spring and if it is not granted a strike will be ordered on all the roads in the United States and Canada and furthermore that they will not consent to any form of arbitration.

The Threatened Strike

The number of men involved is between 350,000 and 400,000; total wages paid this class of railway employes 1914, \$389,000,000; total operating revenues of roads affected, 1914, \$3,047,109,908; total expenses \$2,200,313,159; total capital securities, \$20,193,875,000; proportion of railway revenues paid labor 1914, 45.3%; 1907, 41.42%.

The labor leaders propose that "eight hours or less" constitute a day instead of "ten hours or less," with overtime paid for at time and one-half. The railway managers estimate this would increase operating expenses 25% to 40%. They claim:

That because of wage increases between 1910 and 1914, \$238,000,000 was added to payrolls for the same number of men.

That the proposed schedule would be in effect an increase of 25% in freight speed basis for wage computing.

That it would mean an increase of 87½% in overtime rate.

That about 1,500,000 other employes would get no benefit.

That the 662,000 stockholders of the railways of the country now get less than 10% of gross earnings.

That employes now get 45.3% of gross earnings.

That employes involved, although numbering only 18% of the railway army, now absorb 28% of the railway's payroll of \$1,500,000,000 a year.

The money necessary to meet this demand could be obtained only by either a reduction of wages of other employes, or by reduced payments of interest and dividends, or by curtailing betterment expenditures needed by the public or by increased passenger and freight rates.

Some of Its Implications

This movement raises a serious social and industrial question and deserves deeper thought and consideration than it is now apparently receiving from the public at large, the law makers and the government.

It has a very direct bearing upon the ability of the railways to recover from their malady, and to get ready for the work of the country.

Must not public opinion devise some means that will make impossible even the conception of a plan to paralyze the entire railway system of the United States?

Today labor says: "I can do with my own as I like, and if I want to stop work, that is my business." Only a few years ago capital said the same about various unjust discriminations and unfair practices, and the public stopped it.

Does not a man, when he elects to earn his living by working for a public service corporation, enter into a moral obligation to the public to keep that corporation at work pending a dispute over wages and working conditions until that dispute is settled in an orderly manner? Should that obligation be made not simply a moral one, but a humane, patriotic and even a legal one? That obligation would be no more an interference with human liberty than it is to insist that railways cannot vary rates. A way should be found to adjust such matters, and you and those you represent can be potent in finding the way.

Another thing: This is a country of great distances, and rates, both freight and passenger, should be kept as low as consistent with good wages, good upkeep of the properties, good and constant additions to the properties, and good returns to the capital in order that new money will constantly be invested in the business. If wages are raised and then rates are raised, and this process constantly continues, a condition will arise which will send the cost of living much higher than ever before; business of the country will be checked, and development stopped, and such an outcome would be as bad, if not worse, for labor than for capital.

We Must Work More Hours, Not Less

Another tendency of the times deserves thoughtful consideration for it has a very important bearing on the Malady of the Railways. This is the tendency so generally discussed, that individuals should do less work per day. Many would like this, but everyone owes to his country a duty, especially at this time to give the best that is in him, physically and mentally, and thus help to carry the country through its changed conditions. In most kinds of work it is no strain for a healthy man to work 10 hours a day, but there is now a very strong drift to an 8-hour day and even less. The nation is confronted with more work than ever before; ships to build, factories to enlarge, railways to complete, new foreign business to be attracted, and help to be extended to the unfortunates on the other side. There are about 30,000,000 men at work; if they work 10 hours a day, that is 300,000,000 hours a day, or 93,600,000,000 hours a year. If they work 8 hours, it is 74,880,000,000, or a difference of 18,720,000,000 hours a year. At 8 hours a day this means that about 7,400,000 more men must be employed to do the work that could be done by the 30,000,000; and where are they to come from?

To the extent that is represented by these figures, the new work that Uncle Sam should do in building his navy, improving his railways, expanding his commerce, will be checked. The nation is busy, and loyal citizens should cheerfully work "over time" instead of less time. We must promptly do those things that must be done if we are to occupy the place in the world which world events have

forced upon us, and if we are to help our children and their children. This tendency to shortened hours has also a very direct effect on the Malady of the Railways and any cure therefor.

Excessive Legislation and Regulation

I believe the majority of the people in the United States think that privately owned railways, honestly and efficiently administered, and subject to intelligent and reasonable regulation by public authority is far better policy for the country than government ownership. Because of sins of omission and commission by both owners and regulators, this Malady of the Railways exists, and many remedies have been tried and there is much confusion and discussion because of them. Too many alleged cures have been hastily tried and too many "hobbles" fastened upon the roads. This tendency to extreme law making applies to all forms of business, as well as to the railways. When a man is sick, he gets the best doctor at his command; if he builds a bridge, the best engineer. But in this delicate and difficult matter of regulating business, the country has not been able always to obtain the most experienced men, and this is said without disparagement to many good men who are in the regulating business.

From 1909 to 1915 the states enacted 60,001 and Congress enacted 2,013 new laws which involved the consideration of more than one-half million legislative propositions, or an annual production of over 12,000 new laws to be assimilated by the business world. The Sixty-Third Congress alone considered 30,053 bills and enacted 700.

The measures enacted by the state and national bodies are estimated to cover 43,500 printed pages and to include over 151,000 titles and sub-titles; and the legislation covered a very wide range. Affecting the railways alone in the years 1912, 1913, 1914 and 1915 there were 16 titles and 60 sub-titles of legislation and 3,016 bills were introduced into the legislatures of which 442 became laws. In 1913, only two years ago, 1,395 bills were proposed in the state legislatures. In 1915 the agitation subsided somewhat and only 1,093 bills were introduced.

In the mass of legislation passed were laws governing arbitration, train rules, equipment, passenger and freight trains, cars, signals, clearances, proper crossings, maintenance of tracks, stations, claims, trespassers, the character of reports to be made, beneficial associations, and countless measures affecting the general conduct of the railway business. Some of these laws conflicted with others and nearly all imposed additional burdens upon the railways, added to expenses, and, to a certain extent, reduced the efficiency of the railways to produce the needed transportation.

Unification of Railway Laws

During the past year there has been a unified and standardized banking and currency system tried and not found wanting. The Federal Reserve System marked perhaps the farthest step in advance towards nationalized business activity yet undertaken, and its successful operation is ample proof of the soundness of the theory upon which it was built.

But there are yet other steps to be taken before the ideal

of economic unity is worked out. Not only is it desirable that the commerce of the country, as represented by your organization, should be united in spirit and purpose, but it is equally necessary that the carriers of that commerce should be operated under a harmonious system of regulation having due regard to their functions as the bearers of interstate trade and the servants of the entire nation.

To-day, the carriers of interstate commerce are the servants of 49 masters, of conflicting powers and desires, and if it be true that no man can successfully serve two masters, how confusing and inefficient must be the mental state of him who must serve the United States and a number of sovereign states.

The result of this conflict between state and nation has been a great waste of energy and loss of power to serve the public. A very large amount of the time of railway officers must be devoted to the discussion with the numerous regulatory bodies, and this time could be spent with better results in an effort to improve the efficiency of the railways. The regulators have been so anxious to take on new work that they are overburdened, and questions in dispute are not disposed of promptly and satisfactorily. One result of this excessive regulation has been to increase the price to be paid for new capital needed in the business.

It is obvious that as a result of governmental policy and economic conditions combined, the railways of the country have suffered materially, not only to their own loss, but to the vast detriment of the business community.

The deluge of laws and regulations and the divided authority is another cause of the present Malady of the Railways, and the public should consider it and take steps to improve this feature of the situation.

The Public Must Realize

Since 1887 the country has been passing through a period of expansion and exploitation, with periodical setbacks—a period of investigation and correction of some abuses, and to-day, from a variety of causes, the transportation agencies are not adjusted properly to the needs of the country.

The country now should turn from its punitive policy because errors of the past have practically been eliminated and there is ample protection against a recurrence of them in the future, apart from the fact that there is a higher standard of business ethics than ever before.

The country should enter upon a period of constructive work with the owners and managers of the railways.

The Malady of the Railways cannot be cured until:

1. The public thoroughly realizes the fact that the railways are no different from any other kind of business in their ability to increase constantly all kinds of expenses and at the same time reduce or not to advance the price of the article they have to sell—transportation, and keep the plant adequate to the needs of the country.

2. The public realize that extreme and conflicting regulation is hurting them.

3. There is reasonable control and regulation of the great organizations of labor that are engaged in the work

of various public utilities, including railways, upon which the welfare of society depends.

4. Instead of passing additional laws, an account is taken of those now in existence to be followed by classification, amendment and repeal of some of them.

5. It is realized that the railways are more and more national and less and less state in character and that state control and regulation must be subordinate to national control.

6. The nation has a right to expect of every man that he give the maximum of physical and mental effort in whatever position he occupies.

7. Men of commerce give more attention to these very important matters and use their influence with law makers and executives in an effort to bring about a more reasonable treatment of all business, including that of the railways.

Will the Business Man Help?

Men of commerce in their affairs take proper precautions to insure themselves against loss. They insure against fire, accident, theft, dishonesty, death of partners and important executives.

They should devote part of their great ability and energy in an effort to insure themselves against loss of transportation for without it their business cannot expand. This means the creation of a public sentiment that will bring about such an encouragement to railways that capital will flow freely into them and keep them at all times adequate to the needs of their territories.

Congresses are held to help along the cause of "Good Roads"—"Conservation of Natural Resources"—"Improved Waterways"—"Merchant Marine"—"Irrigation"—all important subjects. But without "Good Railways"—wagon roads, waterways, natural resources, irrigated lands and merchant marine—all would be limited in their ability to serve the people of the United States.

Is it not, therefore, to your interest as representing the great commerce of the United States to call a halt on further burdening the railway systems at this time? To have meetings in the interest of "Good Railways" and to take careful account of their health and strength? To adopt a constructive attitude toward them?

The railways are your servants and you can do more than any other body to help cure their present malady and make them strong. Time is vital because for the last ten years the additions of the properties, large as they have been, are not large enough and rapid work must be done in the next five years to bring them up to the mark. Railway owners and officers and many employes are working hard to solve this important problem, upon which true prosperity and the real interests of what is called "Labor" so largely depend. They need the immediate and active attention and help of the business man.

Will you give it?

I hope and believe you will.

China as an American Market

The Opportunity of Our Merchants in the Far East

By DR. V. K. WELLINGTON KOO

*Chinese Minister to the United States**

FROM time immemorial China has been an alluring market to the traders of the world. As early as A. D. 166 the representatives of Emperor Marcus Aurelius Antoninus, loaded with a beautiful paraphernalia of gifts consisting of ivory, rhinoceros horns and tortoise shell, tried to establish direct commercial relations with the Chinese Empire. Even at that time the merchants of Parthia had already enjoyed a prosperous trade in silken or cotton fabrics of Chinese production called the *serica vestis*. Their competition with the Romans is a matter well known to the historian. Others followed in their train to share in the lucrative trade with China. The Greeks, the Persians, the Arabs, the Portuguese, the Spaniards, the Dutch, the English, Mohammedans, Jews and Christians all journeyed eastward by land or by sea; some few for evangelical work, but most of them for purposes of trade.

In the early days the door of the Celestial Empire was thrown wide open. Restriction of trade to the single port of Canton was a measure adopted at a comparatively very recent date—adopted for reasons of state similar to those which inspire nations today to legislate prohibitive tariffs and declare against free trade. Whatever the cause for its adoption, the policy of restriction pursued by the Chinese Government proved distasteful to the foreign trader, who had relished the profitableness of the China trade and resented its artificial limitation. In order to restore the free movement of trade, some nations went so far as to resort to force.

Notwithstanding its peculiar history, the foreign trade in China has fully lived up to the expectation of its early promoters. It has more than trebled in thirty years, counting from the date when the treaty of Nanking was signed with England in 1842 at the conclusion of the Opium War. Since then (1872) it has been growing with even greater rapidity. The value of gross imports for 1914 was almost exactly eight times the value of imports forty-five years ago in 1870, and two and a half times that of the imports of 15 years ago in 1900. Similar growth marks China's export trade. The customs returns of 1914 show that the value of our foreign trade today is 917,000,000 taels, equivalent to \$614,000,000 in the United States currency, exclusive of the trade carried on by the Chinese junks plying between China and her neighboring foreign ports.

It is gratifying to observe that the trade between China and the United States has shared in the prosperity of the

general foreign trade in China. Although the value of trade between the two countries fluctuated from year to year, the tendency seems to be on the side of progress. Thus, from 1870 to 1895, the value of the annual trade swung back and forth between \$17,000,000 and \$29,000,000 in your currency. Fifteen years ago in 1900 the total trade reached the amount of \$42,000,000, and for the fiscal year ending June 30th, 1915, the value of trade between the two countries rose to \$56,500,000, which amount, however, was \$8,000,000 less than that of 1914, and \$4,000,000 less than that of 1913. In fact, the highest records for the last 15 years were that of 1905, which rose to \$80,000,000, and that of 1906, which rose to \$71,000,000. It is clear that in the last few years there is an appreciable decline in the volume of trade between the two countries. In imports into China, however, for the year ending June 30th, 1915, the amount of \$40,000,000 is the highest mark for all the preceding years.

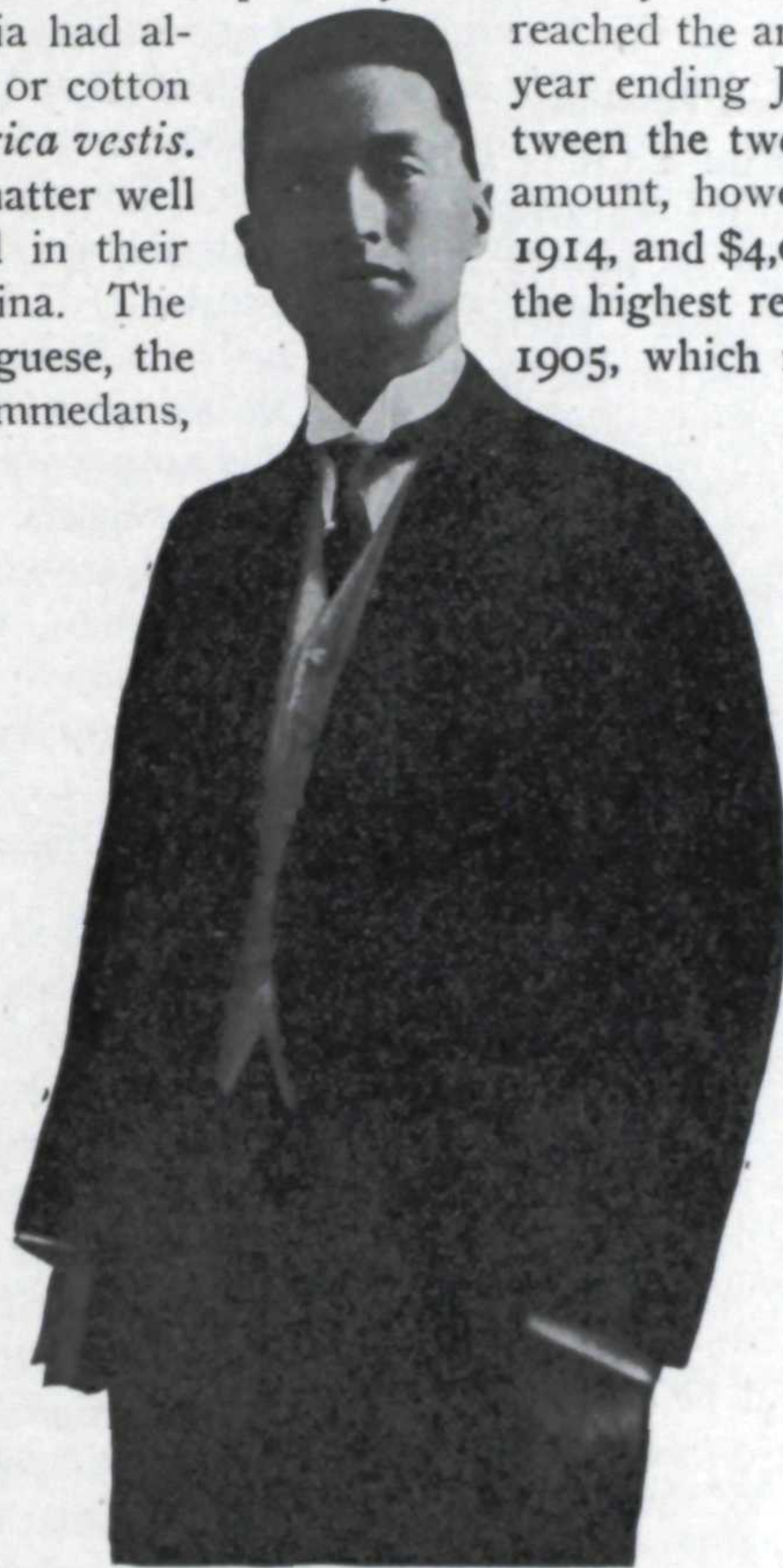
America's Share a Dwindling One

But in proportion to the total foreign trade of China, the American share seems to have been steadily dwindling. Formidable rivals of the British merchants in the Far East in the early part of the nineteenth century, sometimes sharing with them half of the total trade, the American merchants then held a respected second place in the list of the powers having trade relations with China, but in the last decade and half, their position has been gradually relegated to that of a poor third. In 1904, the

United States shared in China's foreign trade to the extent of 14.9 per cent, but ten years later (in 1914) its percentage fell to 8.9, although the lowest point it reached was 6.8 per cent in 1910.

Such has been the state of commercial relations between China and the United States in the past. The outbreak of the war in Europe has brought about an entirely new situation. With the dedication of the financial resources of Europe to the art of destruction and the consequent dislocation of business and industry in that part of the world, not only has the money center been shifted to America for the present, but the burden and responsibility of supplying the markets in the Far East have been thrown to a very large extent upon the shoulders of American merchants and manufacturers.

Although it may be regarded as wanting in sentiment to speak of the distress and disaster of one nation as an op-



Hon. Wellington Koo

* An address delivered on Feb. 9 before the Fourth Annual Meeting of the National Chamber.

portunity of another, yet the fact must be faced. This new situation is, undoubtedly, a stimulus to greater activity and participation on the part of America in the trade of the Orient. It is interesting to note that some steps have already been taken by the farsighted American bankers and manufacturers in response to the changed situation. This manifestation by the United States of enhanced interest in the trade of the Far East, coupled with the great commercial and industrial awakening that is now sweeping over China, is an auspicious sign, indicative of the vital part which China and the United States, the two richest and most populous powers on the Pacific Ocean, are destined to play in the unfolding of its future as the world's greatest commercial highway.

Purity of Motive in American-Chinese Relations

In discussing the trade relations between China and the United States there are several significant features worthy of notice. One of them is the purity of motive, which characterizes their commercial intercourse. There is no ulterior motive on one side and no suspicion on the other. As between them, commerce is carried on with no other consideration than that of the legitimate profits of business. Trade is pursued in the interest of trade, and not for some other hidden purpose, some sinister design. The Chinese are strictly a business people with a keen business sense. They perceive and appreciate the purity of motive on the part of the American trader, and therefore do not hesitate to iterate and reiterate their desire for closer commercial relations with the United States.

Interdependence and identity of interests is another gratifying feature of the Sino-American trade relations. The interests of China and those of the United States run along parallel lines with a peculiar consistency. There is no fundamental conflict or clash to mar the development of their commercial intercourse. China wants more trade with the United States and the United States, I believe, wishes to have more trade with China, each knowing that the more the trade between them the greater the benefit for them both. In fact, no two countries could be better qualified than China and the United States to cooperate with each other in bringing about the realization of the immense possibilities and potentialities of trade on the Pacific Ocean, and in effecting the economic development of Eastern Asia.

China's Vast Resources and Needs

China is a vast country with approximately 400,000,000 people, whose growing taste for western culture develops a demand for articles and commodities, a great number of which this country is well able to supply. China is the greatest potential market for the traders of the world in general and for those of the United States in particular. Think of the quantity of cloth needed for clothing 400,000,000 people; the number of pairs of boots and shoes for providing them with foot-wear; the amount of kerosene oil for lighting their homes; the cigarettes for Chinese men and laces and trimmings, perfumery and cosmetics for Chinese women; the amount of machinery needed for the factories, which the great industrial movement just inaugurated is sure to create, and the quantity of steel rails and electric materials necessary to provide the nation with adequate facilities for transportation and communication.

This is not empty hope, but a fair inference from the returns of trade for the last few decades. Forty-five years ago in 1870, the value of cotton goods imported from foreign countries was 22,000,000 taels; in 1914 it was 178,000,000 taels. The quantity of kerosene oil imported in 1870 was 281,000 gallons; in 1914 it was 225,000,000 gallons. There were 119,000 gross of matches imported in 1870; in 1914, 20,000,000 gross. In 1870 the value of metals and minerals imported was less than 4,000,000 taels; in 1914 it was more than 28,000,000 taels. In 1870, the amount of cigarettes imported was so insignificant that it was not separately recorded in the comparative table of the Chinese Maritime Customs, but in 1914 the value of this import was 13,000,000 taels. Likewise the number of tins of condensed milk imported from 1870 to 1880 was too small to be separately recorded; in 1914 it rose to more than 522,000 dozen tins. Twenty-five years ago, in 1890, the value of electric materials imported was 17,000 taels; in 1914 it was 2,700,000 taels. In 1890 the value of aniline dyes was 889,000 taels; in 1914 it was 3,250,000 taels. In 1870 there were 17,000 taels worth of flour imported; in 1914 the value of this import was 9,000,000 taels. The compiler of the latest trade reports in China observes that "the houses of the wealthy are now made bright with window glass and kerosene lamps, furnished with clocks, enamelled-ware and gramophones and made beautiful with elegant drawing-room suites and radiant carpets."

Our Petty Share in Supplying These Wants

Yet, today, the value of imports per capita is only 93 cents in United States currency. Of this amount the imports from the United States share to the extent of 8 cents. It means that today each Chinese spends 8 cents for articles manufactured in this country. If China imports in future as much as Canada, which buys about \$90 worth of American goods per head of the population a year, it means that the United States will have to send to China a hundred times as much as it is now sending. It means \$4,000,000,000 worth of imports instead of \$40,000,000 worth of goods she sends over today in one American fiscal year. It is thus seen that the foreign imports into China have increased by leaps and bounds in the number of kinds as well as in value and quantity. If the past can be taken as an index to the future, the potentialities of the market in China can only be characterized by the adjective immense.

Now, the wide use of water and electric power and the application of labor-saving machinery to the manufacture of articles of all kinds has increased and is still increasing the output of your farms, your mills, your factories and your foundries. To dispose of the goods you are making with such rapidity and ease, you not only need a market where the needs are commensurate with your present capacity to produce and manufacture, but you require a demand that will increase with your increasing output. China is just the market for the products of your industries. On the other hand, China will have to depend upon the merchant in the United States for disposing of the increasing amount of tea and silk, of carpets and rugs, of bean-cakes and walnuts, of porcelain and lacquer-ware, which the new farms and plantations, factories and kilns are turning out for sale

by improved methods and under new management.

The Tested Honesty of China's Merchants

Besides these factors of purity of motive, identity of interests and interdependence, there is also the fact that in dealing with China's merchants, you have only to deal with a body of merchants of known and tested honesty, which is considered by all to be the best policy in business as well as in other walks of life. They are anxious and eager to deal with the Americans because they know that the Americans are as honest as they themselves.

Then the strong and sincere friendship which the Chinese people entertain for the people of this country is a valuable asset to the American merchants and manufacturers—an asset which money cannot buy and which not all the nations doing foreign trade in China can feel safe to boast of. A prominent American who has recently made an extensive tour in the Orient stated on his return that wherever he went in China he found the sentiment for the United States to be very friendly among all classes of the people, and that all he had to do was to tell them that he was an American and they at once placed their services at his disposal. The good will of the consumers is a guarantee for successful trade.

How Trade Relations May Be Promoted

It may be asked, what is the best way of promoting the trade relations between the two countries? How can the American merchant or manufacturer increase his business with China? To answer these questions thoroughly would require a discussion of many problems directly or indirectly connected with commercial intercourse. Suffice it to say that one of the ways is to carry on trade directly with the Chinese people without going through a number of intermediary hands, because direct trade means doing away with commissions for brokers; it means increased profits to the manufacturers and reduced prices for the purchasers.

Men who are familiar with conditions in China and who understand the language would make better agents than those who possess none of these qualifications and therefore must insist upon doing business in their own ways. If new articles are to be put on the market in China, their usefulness must be brought home to her people. The Chinese are slow to adopt new ideas and apt to cling to their old customs; but withal they are a very practical people. If a new article is useful, they like to see it proved; once they are convinced of it, they will use it.

Raising the Purchasing Powers of Four Hundred Millions

The best way is, undoubtedly, to raise the purchasing power of the people. The more income they have, the more wants they will have. It is by increasing their income that they will extend their purchases from a few things of bare necessity to articles of luxury and comfort. The wages of the laborer in China, though they have risen three or four times in the last two decades, are still very low. The unskilled workingman gets no more than a few cents a day. The increase of his wages in the last twenty years has already enabled him to use matches instead of steel and flint,

and smoke cigarettes instead of his family "waterpipe." If his wages are raised more, he will be able to clothe his body with foreign fabrics, wear leather shoes and see motion pictures.

But how can we raise the wages of the workingman and thereby increase his purchasing power? The answer is that the natural resources of the country must be developed and adequate transportation facilities must be provided.

How American Capital Can Help

This brings me to the fascinating problem of the economic development of China and the part which American capital can play in it. China has mineral, agricultural and natural resources which the whole world regards as being among the richest. The gold mines of North Manchuria, the silver deposits of Jehol, the copper of Yunnan, the iron of Hupeh and Shansi, the antimony of Hunnan, the magnetite of Fukien—these and many other rich mineral deposits are awaiting development. Besides, the southwestern provinces of China and the Yangtse Valley are peculiarly adapted to the cultivation of cotton, there being an acreage of twenty-six million available for the purpose; while the mountain pastures of Kweichow, Szechuan, Tibet, Mongolia and Kansu, by reason of their good climate and plenty of water, food and space, are most suitable for raising wool-bearing animals such as goats, sheep and camels. Add to this the resources of waterpower in most parts of China, and the vast amount of cheap, but efficient labor, and the vast means of river communication, which makes up to a large extent what China lacks in railways, one can readily realize the immeasurable potentialities and possibilities for industrial development in China and the great opportunities she offers as a field for investment.

If American capital is invested in China, it will not only enrich the United States by the profits it brings to the investors, but it will so hasten the era of industrial prosperity that is now beginning to dawn upon China that it will multiply the power of the Chinese to buy from the United States manifold in a short time. Industry is a veritable handmaid to trade.

You will thus see what great possibilities there are for cooperation between China and the United States in the development of the vast resources of wealth and industry, in which China abounds.

Vast Possibilities for Cooperation

These possibilities are not mere creatures of imagination, but are capable of actual realization. For it must be remembered that you have the necessary money just as we have the necessary resources. We are not mere brokers who have neither money nor goods, but who are interested solely in making a commission at the expense of both the buyer and the seller (and are therefore ready to make glowing promises without troubling ourselves about fulfillment). And there is another point. Your financiers as well as your merchant and manufacturer enjoys the good will of the Chinese people, just as they enjoy yours; and good will is a sure guarantee for successful business.

The Brokerage System Out of Date

In view of these immense possibilities of economic devel-

opment in China and the great opportunities for American capital to invest profitably, one can easily understand why some people are anxious and eager to offer their services as brokers between us, although one cannot see either the necessity or the wisdom of having such services. In the old days of China marriages had to be contracted, not between the parties directly, but through a match-maker, usually a menial woman, who was more interested in getting her share of the wedding cake and a handsome fee than in the welfare or happiness of the parties whose lives she was uniting into wedlock. As a result hundreds of thousands of families were made unhappy and the lives of millions of the ill-mated couples made miserable.

The system was tolerated for centuries because the match-makers constantly urged that neither the young man nor the young woman, if let alone, would know how to pick a suitable life-partner for himself or herself. The influence of modern civilization, however, has made the people see the folly of casting their lot in the hands of a third party. Today neither the young man nor the girl would stand any interference in his or her matrimonial adventure on the part of the professional match-maker. Even the parents, seeing the strong contrast between the happiness in the family of the self-chosen mates and the unhappiness of those who were mated by somebody else, gladly desist from tendering advice to their children in matrimonial affairs. The professional match-makers, seeing their arguments refuted by facts, of course find it necessary to abandon their old-time occupation and have to content themselves with something far less profitable.

Now the business of investment for the big capitalists is just like marriage for the young man or the young girl. If you like to choose the girl yourself when you desire to get married, why should you let somebody else invest money for you, when you have money to invest?

Mutual Knowledge and Confidence

Besides it would seem unnecessary as well as unwise. The business Chinese know the Americans and the business Americans understand the Chinese. With their wonderful knowledge of science and their mastery of technical skill, your engineers and experts will have no difficulty in ascertaining, for instance, what mines could be profitably developed and what lines of railroads should be first built from the point of view of the investor. But it is asked, are there men in China who are able to assist in the execution of great engineering and industrial enterprises? I give my answer in the affirmative without fear of contradiction. A distinguished Englishman, writing on the industrial opportunities of China, observed:

A larger percentage of the population is highly skilled in masonry, carpentry, iron founding, plastering, woodcarving, brass and copper working, and the Chinese conception of mining, and under skilled European training the Chinese develop into most capable laborers, whilst such of them as have been trained in the various coastal dockyards have proved themselves the equal of any labor in the world. The Cantonese especially are distinguished for their high ability in all forms of iron and metal work, and excel when trained as lathemen, fitters, etc. * * * In the erection of buildings of all descriptions the Chinese excel as is proven by the fact that most of the European buildings in the treaty ports are built by Chinese contractors.

Besides, Europe and America and Japan are training thousands of Chinese engineers and experts. The United States alone is educating today fourteen hundred students in engineering, mining, agricultural and other scientific and technical branches of knowledge and efficiency. What is most needed is capital. Where money is adequately provided, if need be, trained men can be found to do the work and do it cheaply and efficiently, though comparatively few they are.

A Chinese Triumph in Railroad Building

The Peking-Kalgan Railway, a line of 143 miles, which was, in the opinion of foreign experts, the most serious and difficult engineering proposition ever undertaken in China, with its steep grades, a large number of sharp curves, heavy cuts and fills, and more than a mile of tunnels, was built entirely by Chinese engineers educated in the United States. The successful completion of this line was all the more significant because there were not a few foreign engineers who had thought this piece of engineering was an impossible feat. In spite of all these difficulties, the cost of construction was under £10,000 per mile, a rate much lower than the roads built by foreign engineers in the less difficult regions of the country. It now brings a net revenue approximately of \$4,000 gold per mile annually to the Chinese Government, and this surplus is being used to build extensions, 90 miles having just been completed and added to the line.

The Chinese street railway of Shanghai was built and is operated by Chinese. The biggest iron-works in China are managed by Chinese engineers educated in Europe. If further evidence is required, one can point to the big cities in the Straits Settlements, where many of the big business enterprises, such as mining and steamship companies, sugar plantations, and banks have been built up by Chinese energy with astonishing success.

Of the total mileage of railways (6,200) now in operation in China, about 80 per cent was financed by foreign bankers and built with the direct cooperation of the Chinese engineers. With the exception of a few short local lines, they are all making money. The Peking-Mukden Railway, a line of 605 miles, brings approximately a net profit of \$6,565 gold per mile per year to the government, while the Peking-Hankow Railway, 836 miles long, yields a net revenue of \$14,500 per mile per annum.

Chinese Workmanship Competent

These instances, I hope, will be sufficient to illustrate that where money is provided, trained Chinese can be found, if not to undertake the whole work, at last to render efficient assistance in its skillful execution. What I want to emphasize here particularly is that the successful development of the tremendous industrial resources of China does not lie in the combination of American capital with borrowed energy, but in the investment of American capital through the direct cooperation of American skill with Chinese skill, of American energy with Chinese energy. It is only thus that the closer commercial relations between China and the United States, which the people of both nations desire, and to which they all keenly look forward, can be successfully and profitably attained.

The Pan-American International High Commission

The Plan and Work of the United States Section

By HON. DUNCAN U. FLETCHER,

*United States Senator from Florida **

THE Pan-American Union has been a potent factor in the dissemination of information, enlisting interest and creating cordial good will and unselfish friendship among the peoples of the American republics. It has effectually pointed out, too, the advantages to be gained by increase of commercial transactions, expansion of business relations, and extension of Pan-American comity.

The first Pan-American Congress assembled in 1889. Such conferences have been held biennially since, and they have contributed immensely to the growth of the spirit of continental solidarity, now become the key note of American foreign policy.

One of these conferences—the Pan-American Commercial Conference planned to be held in the Autumn of 1913—was postponed, or rather was replaced by co-operation of the representatives of Latin American Countries and the Director General of the Pan-American Union, with the Southern Commercial Congress, in its Fifth Annual Convention held at Mobile, October 27th-29th, 1913.

The Real Tie That Binds

It was at this Congress that President Wilson delivered that inspiring world message, and among other things said:

I come because I want to speak of our present and prospective relations with our neighbors to the South. I deemed it a public duty as well as a personal pleasure, to be here to express for myself and for the Government I represent the welcome we all feel to those who represent the Latin American States.

The future, ladies and gentlemen, is going to be very different for this hemisphere from the past. These States lying to the South of us, which have always been our neighbors, will now be drawn closer to us by innumerable ties, and I hope, chief of all, by the tie of a common understanding of each other. Interest does not tie nations together; it sometimes separates them. But sympathy and understanding does unite them, and I believe that by the new route that is just about to be opened, while we physically cut two continents asunder, we spiritually unite them. It is a spiritual union which we seek.

Referring to the Latin American States he further said:

We must prove ourselves their friends and champions upon terms of equality and honor. You cannot be friends upon any other terms than upon the terms of equality. You cannot be friends at all except upon the terms of honor.

There is nothing patronizing about that. It is the clear expression of a policy to consider and treat the states to the South of us on the dignified plane of "equality and honor," and to deal with and regard the people of those Republics with sentiments or friendship founded on comprehension and mutual interest.

* An address on February 9 before the Fourth Annual Meeting of the National Chamber.

These sentiments were received with every evidence of high appreciation and reciprocal feeling by the ambassadors, ministers and other representatives of Latin American countries assembled there and participating in the program of the Congress. The completion of the Panama Canal established one of the chief focusing points, and is destined, it promises, to be the greatest of the world's trade routes. This has brought all South America, and particularly the West Coast, closer to us. Commerce, moving to and fro, affected by the canal, will cause the circulation of people, the distribution of commodities, the interchange of products, and the formation of social friendships and business acquaintances all of which will multiply the ties, add to the interests, and increase the mutual benefits of all concerned. This movement was going on, this policy was declared, these sentiments met encouraging responses in the twenty Republics, this spirit was unfolding and beginning to flourish before July, 1914.

The Genesis of the Commission

The sudden madness which then appeared in Europe, followed by its ghastly and world-wide consequences, emphasized the wisdom of pressing forward in the direction before indicated, in this hemisphere.

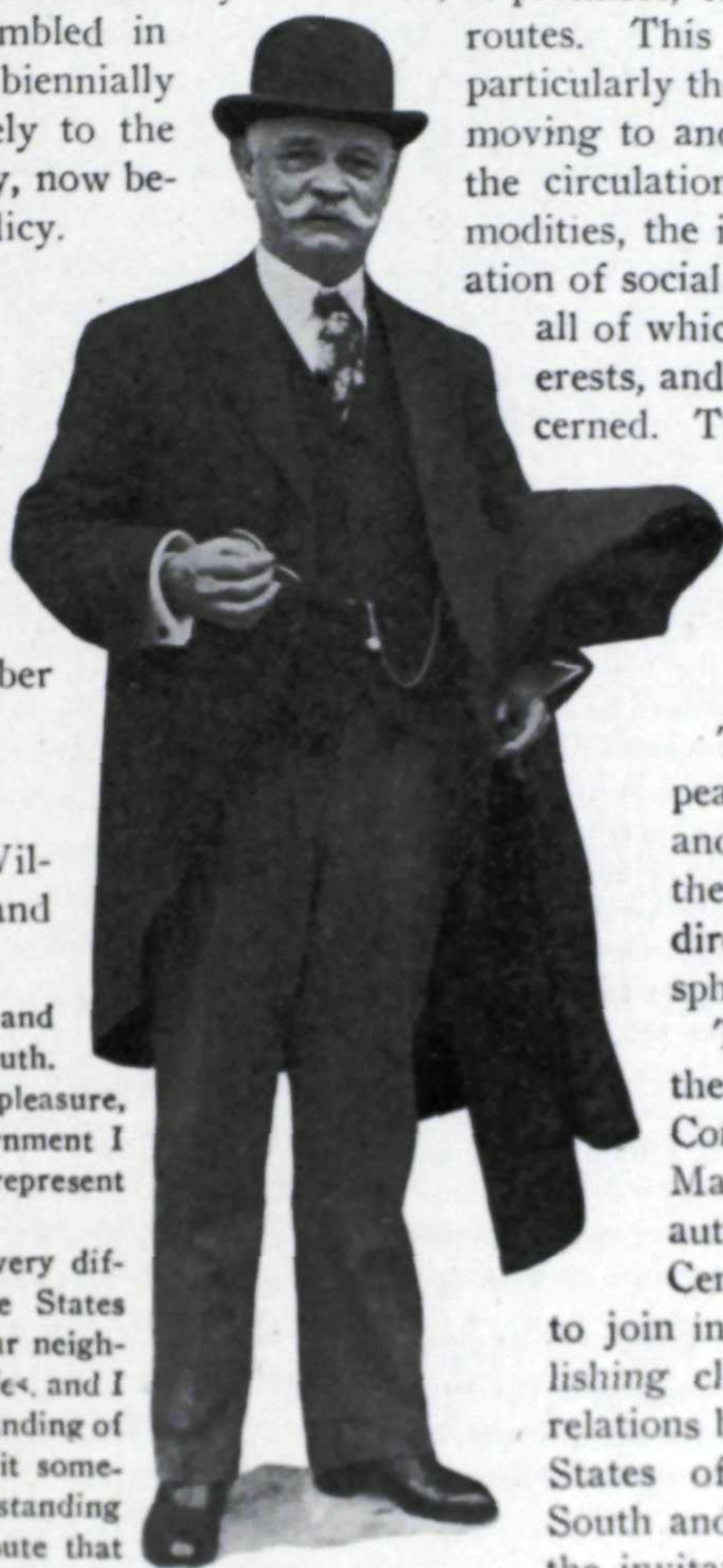
The Secretary of the Treasury initiated the next step. In the Diplomatic and Consular Appropriations Bill, approved March 4th, 1915, the President was given authority to extend to the governments of Central and South America an invitation to join in a conference, "with a view to establishing closer and more satisfactory financial relations between their countries and the United States of America." Accordingly, eighteen South and Central American republics accepted the invitation and the Pan-American Financial Conference was held in Washington, May 24th-29th, 1915. The letter of the Secretary of the

Treasury transmitting the proceedings of that Conference to the President, September 6th, 1915, says:

There was unanimous opinion that two things are essential to the development of trade and improved relations between the Latin-American nations and the United States, viz.:

1. The granting by United States bankers and business men of ample credits to Latin America and the prompt provision of the necessary organizations and facilities for this purpose.
2. The prompt establishment of adequate steamship facilities between the leading ports of the United States and South America which the Conference, by resolution, declared a vital and imperative necessity.

During the conference a committee, composed of repre-



© Harris & Ewing

Senator Fletcher

sentatives from every country participating, on uniformity of laws was appointed. That committee recommended that uniformity of laws be considered upon the following subjects:

1. The establishment of a gold standard of value.
2. Bills of exchange, commercial paper, and bills of lading.
3. Uniform (a) classification of merchandise, (b) customs regulations, (c) consular certificates and invoices, (d) port charges.
4. Uniform regulations for commercial travellers.
5. To what extent further legislation may be necessary concerning trade marks, patents and copyrights.
6. The establishment of a uniform low rate of postage and of charges for money orders and parcel post between the American countries.
7. The extension of the process of arbitration for the adjustment of commercial disputes.

For the purpose of bringing about uniformity of laws on these subjects and such others as might be taken up, the committee recommended that "there be established an International High Commission, to be composed of not more than nine members, resident in each country, to be appointed by the Minister of Finance of such country." This was unanimously agreed to by the Conference. In pursuance of this action every government represented in the Financial Conference has appointed its section of the High Commission.

On January 28th, 1916, The Congress of the United States passed the following bill:

BE IT ENACTED, etc., That the appointment of the nine delegates by the Secretary of the Treasury to represent the United States in the proceedings of the International High Commission to be held in Buenos Aires, Argentina, during the year 1916, in accordance with the action of the First Pan-American Financial Conference held in Washington during the year 1915, pursuant to the provisions of an act of Congress, approved March 4, 1915, entitled "An act making appropriations for the Diplomatic and Consular Service for the fiscal year ending June 30, 1916, be, and the same is hereby approved and confirmed; such delegates shall be known as the United States section of the International High Commission and shall cooperate with the other sections of the commission in taking action upon the recommendations of the First Pan-American Financial Conference; and the President is authorized to fill any vacancies that may occur in the United States section of said International Commission.

For the purpose of meeting such actual and necessary expenses on the part of the United States section of the Commission as may arise from its work and investigations, or as may be incidental to its attendance at the meeting of the said International High Commission, the sum of \$40,000 is hereby appropriated, out of any money in the Treasury not otherwise appropriated, to be expended under the direction of the Secretary of the Treasury, to be immediately available, and to remain available until expended.

What the Commission Means

The plan is akin to the method adopted by the American Bar Association for securing uniformity of legislation among the states which has resulted in the adoption of a uniform Negotiable Instruments' Act in forty-seven jurisdictions out of fifty-three; Uniform Sales Act in 14 and Warehouse Receipt Act in thirty, and Bills of Lading Act in 13 jurisdictions. The idea has grown until it is confidently expected that uniformity will eventually be perfected in the United States respecting all interstate questions.

Each state and jurisdiction has its section of the commission which meets annually in conference to pass on the legislation to be proposed, and the value of this uniformity as to all questions of more than local concern has been demonstrated. When we reach out to even wider

fields and deal with questions arising out of commercial transactions between citizens of different countries, it becomes in a similar way, desirable to bring about uniformity of law and practice controlling the rights and interests of parties.

The Pan-American idea does not mean a league against other countries. It means closer relations and more trade between the United States and Latin America based on fuller confidence and better understanding. It means in present circumstances there are added causes and reasons which emphasize and make peculiarly opportune the development of that idea and the accomplishment of that aim. Edmund Burke well said:

"Nothing is so strong a tie of amity between nation and nation as correspondence in laws, customs, manners and habits of life."

Latin America's Debt to Europe

Taking the financial and commercial history of the Latin-American republics as a whole, one is struck by the extraordinary extent to which they have been financially organized and developed from Europe. Europe found in South America an outlet for her surplus human energy, as well as an attractive field for investment. For nearly one hundred years England, France, Belgium, Spain and Germany, taking them in the order in which they became interested, undertook to secure, maintain and expand their hold upon the natural resources found there in abundance, and to cultivate commercial intercourse with the Latin-American.

But the operation was not a one-sided affair. Especially in the later years, when the great republics of the Southern continent had begun to develop distinctly nationalistic policies in the matter of trade and commerce, there was imposed upon the European nations the necessity of sustaining a reciprocal financial and commercial relationship. England's hold on the banking, railroad, grain and other industries of the Argentine began to depend not only upon the investment of British capital, but on the existence and conscious encouragement of a British market for Argentine products, principally foodstuffs. Freight cannot move in only one direction for a very long time, if the commercial relations of the nations involved are to maintain themselves, to say nothing of expanding.

So it was that the European cataclysm created a terrific depression in Latin-America. To be sure, conditions had been unfavorable in several republics for a long time previous to allow them much power of resistance in the case of a worldwide shock. To these, in even greater degree than the others, the war meant a complete dislocation of their public finance; it was a question with them of tiding over the crisis and then reorganizing their system entirely anew.

They had depended upon Europe for so long that the war seemed to destroy the very foundation of their financial systems, and they hardly knew where to turn. If any thought came to them in the first months of the war of consulting those eminent in the financial and commercial world in the United States, it was quickly dismissed when they realized how uncertain and unsatisfactory the situation here appeared. For a time the United States, from the standpoint of a Latin-American financier, appeared in

hardly any better position than the stronger Latin-American States. But as time went on, this country adjusted itself successfully to the situation and bade fair to take over from Europe not only hoards of gold, but that responsibility for the sustaining and nourishment of Latin-American commerce and finance that Latin America honestly believed to inhere in the control of those hoards of gold. It was not difficult, therefore, to see the importance of arriving at an understanding which the situation now made plain demanded.

The Federal Reserve Act opened the way for the establishment of branch banks in foreign countries and otherwise made possible financial undertakings we could not before consider.

There resulted from the Conference an undeniable stimulus to the expansion and strengthening of the financial and commercial relations between the Ibero-American Republics, and the United States. A substantial number of specific instances could be cited wherein investment or development plans of enduring significance for the trade of the United States clearly owe their inception to this bringing together of the chief representatives of the commerce and finances of North and South America. This gratifying fact of the inspiration of private activity would alone have justified the holding of the Financial Conference, even if no attempt were ever made to follow up any of its recommendations for sustained and persistent public action looking to the removal of positive or negative obstacles in the way of furtherance of the economic relations between the American republics.

But such recommendations were made, and in dealing with them and in setting forth the actual work of the Commission, I am adopting what has been furnished me by Dr. Rowe, the Secretary General, and Dr. McGuire, his assistant.

A Really Constructive Effort

The Financial Conference deliberately affirmed its belief that the best interests of the American republics would be served by a systematic and constructive effort to remove the serious obstacles in the way of promoting commercial and financial relations. As a preliminary step, a committee of the Conference, consisting of at least one representative from each republic, studied the nature of these obstacles and presented its view as to the best means of removing them. This committee found that some of these obstacles took the form of a lack of harmony between the various national systems of administrative or fiscal law and regulation,—such as in the case of customs regulations, or the rules governing the operations of commercial travelers. It found that other difficulties arose from the fundamental disagreements between distinct juristic theories—as in the case of the rules of interpretation of negotiable instruments, or in the matter of the enforceability of the arbitral awards in commercial disputes. It found, furthermore, that there was need of establishing a more effective and satisfactory method of adjusting the interests involved in the technical questions of literary property, patents and trade marks. Finally, the Committee found that there was need of a consistent and coherent policy of cooperation between the financial committees of the various republics.

All these obstacles of whatever type or character, the

committee felt should be subjected to a searching study by groups of financial, legal and technical experts. These groups should exchange views, both by correspondence and in conference assembled. The consensus of opinion as to what in each case would best serve the common interest would finally be formulated into concrete measures of substantial unity of purpose and these measures would then be submitted to the consideration of the legislative bodies of the participating republics.

This recommendation was adopted by the Financial Conference, and the direct outcome was the International High Commission. As to the *modus operandi* of the Commission, whether it should revolve around a central, fixed bureau already existing, or operate through a particular and more flexible organization, nothing was determined at this time. On one point the Financial Conference was clear, the character of the Commission, now recognized by the Congress of the United States. It was designed to carry out the recommendations of the Conference, and to prepare the program for the next Conference, to be held in 1917, in other words, the Commission was to serve as a permanent standing committee of the Pan-American Conferences.

As soon as was practicable, the Secretary of the Treasury took the preliminary steps for the organization of the Commission. Each government that had been represented in the Financial Conference was invited to participate, and every government has now accepted the invitation. In each country the section of the Commission consists of the Minister of Finance and a distinguished group of legal and financial experts. These sections have devoted themselves to the study of the problems entrusted to the Commission, and have been exchanging views as to their solution. The first meeting of all the sections of the Commission will occur at Buenos Aires from the third to the fifteenth of April this year.

This brief outline will indicate the point so far reached in organizing the Commission. The next thing to do is to examine its program. The original committee of the Financial Conference had suggested seven topics for the consideration of the Commission, and it is upon this basis that most of the sections have proceeded. All have felt free, however, to add other suggestions, but I shall limit myself to the program as recommended by the United States section of the Commission.

From the beginning it was realized that the work of the Commission would range all the way from complex problems of the traditions of jurisprudence to those arising from an attempt to adjust comparatively simple administrative rules. The problems to be considered might, consequently, have been arranged in the corresponding categories of private and public finance, fiscal or technical regulations, and commercial law. But there was another point to consider. All the Central and South American Republics had presented to the Financial Conference various memoranda setting forth the matters that, in their belief, urgently demanded attention. It was obviously a proper thing, therefore, to take up the various matters occurring in these memoranda in proportion to the emphasis put upon them by the South and Central American representatives. This is what the United States Section finally decided to do in

arranging its suggestions for the program of the First General Meeting of the Commission.

The Vital Subject of Transportation

The necessity of better transportation facilities between the American Republics, and the means of securing them,—at first glance, might not seem to enter into the work of a committee of this character. Nevertheless, no more vital problem arose during the Financial Conference; all the delegations to the Conference found reason to refer in their memoranda to the lack of transportation facilities. We felt that at the meeting in Buenos Aires, it would be found possible upon examining this complex question to define certain principles upon which the several governments might effectively cooperate. We felt, too, that there was need of a clear understanding between the republics concerned as to the broad lines of maritime policy to be laid down. Questions of combinations, of discriminations, of rates and routes, port charges, licenses and the like will no doubt be considered.

While foreign trade requires a sturdy and growing merchant marine, neither merchant marine nor foreign trade will flourish if financial and commercial operations are not entirely reciprocal. We must be prepared to supply a market for the commodities and securities of Latin America, if we wish to replace Europe as the chief provider of South and Central America. But the question of markets is also an extremely complicated one. With it are necessarily involved both of the topics to which the High Commission will be asked to give attention after dealing with the question of transportation, namely, the second—improvement of banking facilities, the extension of credits, the financing of enterprises, public and private; and the third,—the stabilizing of international exchange. We fully realized that these topics are alike closely related to a correct appreciation of such important but often indefinable elements of international trade as individual enterprise and credit, as confidence in a grasp of business conditions outside of one's own locality, as in short, the customs and traditions of trade. But we felt that they involved, too, certain definite expressions of governmental authority. Particularly was this the case in the problem of stabilizing exchange. It seemed to us that those in any way charged with the direction of policy in matters of public finance might properly be expected to assist in realizing, and when realized, to protect, such specific recommendations for the stabilization of international exchange as the financial experts would venture to formulate.

Some Things Already Accomplished

It will be recalled that at the Sixth International Congress of Chambers of Commerce, held in Paris in June, 1914, it voted in favor of organizing in every country tribunals of arbitration to decide commercial questions between citizens of different nations. This and the substantial progress made by the United States Chamber of Commerce warranted us in recommending as a fourth topic for consideration that of arbitration of commercial disputes. The procedure inaugurated by virtue of your agreement with the Chamber of Commerce of Buenos Aires bids fair to work admirably, and it is along this line that the United States Section will

endeavor to work. To be sure, there are a number of questions in connection with the question of arbitration to which jurists and economists will be obliged to devote close attention, and that is precisely the chief justification for the creation of the International High Commission. Questions of this type cannot receive authoritative, and I might even say thorough, attention except from an international body representing those interests properly concerned.

We have suggested that the Commission next address itself to the consideration of the means of improving the rules under which negotiable instruments and commercial paper are negotiated in the security markets of the Americas. Of course, the Commission does not want, nor does it need, to propose any radical change in our own legislation governing bills of exchange, bills of lading and warehouse receipts, but we feel that substantial harmony in the rules and definitions to which recourse is had in interpreting these instruments and their effects in international trade may properly be achieved in a conference of legal and financial authorities.

Then, too, we are convinced that great practical advantage must result from any successful attempt to make more uniform the customs regulations, the systems of classifying merchandise, port dues and regulations, and the sanitary regulations governing imports of the American Republics. Entire uniformity will not be possible in this field any more, perhaps, than in any other; but even a slight achievement in a matter of such everyday, practical importance would be an accomplishment sufficient to justify the entire organization.

With the next question, also, the United States Section realizes that it has a formidable task. We know very well that any program involving immediate reduction of postal rates or immediate creation of expensive postal services, cannot be seriously entertained by any of the American governments at this time. In one of the many valuable special reports that we have been favored with, the Postmaster-General gives evidence of the readiness of the United States Postal authorities to go just as far as it may be convenient and expedient for the postal authorities of any of the American republics to go. If a Pan-American postage rate of two cents per ounce is impossible at this stage, it may not be difficult for the more powerful republics to the South to consider a three cent rate for a limited number of years between themselves and the United States. This would be the first step, and in itself a very desirable gain.

Nothing will contribute more to the promotion of commercial relations and to the stability of the financial world than the improvement of the means of communication by telegraph. The extension of the service, and the reduction of the rates of the cable systems between South America and the United States, have importance in many ways, as great as the establishment of more adequate transportation facilities, or the improvement of postal facilities. It is therefore, a matter of practical importance to achieve some agreement, with regard to these matters. Then, too, in the closely related question of radiographic communication the Commission might justly concern itself with the questions of ownership, operation, restriction and facilitation of any inter-American system organized for commercial purposes.

In another respect, we hope to do real service to the exporters and manufacturers of the United States during our Conference at Buenos Aires. Fiscal regulations often neither expensive nor rigorous, but always annoying, prevent commercial travelers from carrying out effectively the work for which they are despatched by their employers. We are convinced that the operations of salesmen should not be restricted by onerous regulations or that at least such regulations as shall be deemed necessary may be liberally interpreted and enforced. Several specific suggestions have been under our consideration with regard to this matter, and as soon as we shall have worked out any of them to the satisfaction of our section we shall venture to put it before you, in order that it may have the benefit of your comments and criticism.

Finally, we are taking up once more a question that has interested the governments of the American republics for many years. Since the second Pan-American Conference held in Mexico City in 1902, nearly every international gathering in this hemisphere has dealt with the question of patents, trade marks and copyrights. Conventions governing the rules of adjustment of the administrative machinery of the various Republics in these matters of literary and industrial property were prepared in 1906 and 1910 at the Third and Fourth Pan-American Conferences. We hope to be able to secure a clear re-statement of the principles

embodied in these conventions and, furthermore, to make evident the desirability of providing national legislation in the respective republics for the ratification and carrying into effect of these conventions.

A Confident Look Into the Future

We have undertaken no small task, no job that can be accomplished with any thoroughness in a short time. We hope that our two weeks' conference at Buenos Aires will lay the foundation for the effective carrying out of these improvements. The obstacles in the way of the development of trade are numerous and complex; but if approached in the spirit of patient desire to be of real service to others and to ourselves, these obstacles cannot withstand us. And we are confident that this is the spirit in which the International High Commission is approaching all these problems. We are not satisfied with the restoration of previous conditions in the business world; to be sure, it is to the selfish interest of all that the normal business confidence of the years preceding the war be restored. But we are attempting something more. We seek to make possible the establishment of a nexus of intimate economic interests, that will make us not merely commercially and industrially necessary to each other, but in a vital and every-day sense conscious members of one organic world fact,—the Union of American Republics.

Vocational Education and Industrial Efficiency

(Concluded from page 28.)

morality and the power of this nation if we could take these working boys, spending their time trying to rub off the knowledge of the trade from somebody, somewhere, and putting them into life trained at 20 years of age. We should advance the home-making time of those young men and the young women by from 6 to 8 years, and that is a tremendous moral advance. The man who at that time of life has his own home is a saner, better, soberer, more thoughtful, safer citizen from every public and private point of view.

The point of view of organized labor on this question is very clear and very simple. It has their entire support, provided, first, that the training is thorough and produces journeymen equipped to do the full work of the trade, second, that it be carried on in cities after a searching survey of the locality, and that the training be adjusted to the particular needs of the city, and third, that the training shall be carried on under the guidance of the public authorities. In those three points of view I heartily concur and on those three points of view organized labor stands with substantial solidity today in favor of industrial education. The Secretary of Labor is a Director of the Society of which I am President and we count four or five more leaders in organized labor on our Board of Directors, able and active and enthusiastic in the cause.

I have already spoken longer than I meant, but I wish, gentlemen, as thoughtful American citizens, you would grasp what would happen in this country if on a certain day

next year or the year after it should turn out that every boy and girl in America knew how to do some one thing well. I do not know any other single thing that would be more securing in its power upon our social life, more uplifting in its power upon our industry, more certain to bring peace and happiness throughout our land. The country is full now of boys and girls who have not been taught, for there is none to teach those who seek that they may enter equipped upon the road of life which all of us find strenuous enough.

Finally, let me say that industrial education is not educating the men into the mill. I have been told that it was and that what was sought was to train a working class and that it not only attempted to train our children into the mills but to develop class legislation in their behalf. Both are utterly untrue. Industrial education is as broad as every phase of industry, and those who teach it most and urge it strongest do not wish it confined to any narrow groove of single processes. We want to have taught trained mechanics, not merely the man who can run a drill but a man who can run a shaper too and run them both and not be puzzled if the next machine is a multiple drill press. We want to train our women in no single narrow line of preparedness for life but to open to the minds of these our young people not that which shall separate them in a class, not that which shall condemn them to a life of mill work, but those principles and those practices upon which industry is founded, that the whole broad field may be fully open to them.



An Historic World Peace Congress—The Second International Conference at The Hague in 1907

In the midst of the horrors and clamor of war the world's thought still turns to the possibility of an international court where disputes of the nations may be settled without resorting to force.

A Business View of the Peace to Come

A Program for Averting Future Wars

By EDWARD A. FILENE*

IT has been charged that the chief interest of American business men in the war is the chance it gives them to coin the agony of Europe into increased dividends. The recent referendum of the Chamber of Commerce of the United States on Economic Results of the War and American Business, if it does nothing else, has effectively given the lie to this baseless slander. By a great majority the constituent chambers have just voted their approval of a proposal that the United States take the initiative in the establishment of an International Court that should be supported by a league of nations, agreeing to use their concerted force, in the form of economic non-intercourse and, if necessary, military action, against any nation of the group that should refuse to submit justiciable matters to the agreed upon tribunal for examination. It is doubly significant that the vote favoring the use of economic pressure was larger than the vote favoring the use of military force.

This vote indicates that American business men, if they could feel that thereby they were doing their share in keeping the peace of the world, would be willing to help punish the violators of international agreements by putting an embargo upon all goods as well as munitions of war. American business touched a high point of idealism in expressing its willingness to sacrifice material interests for the common good of the world. Hereafter, the man who charges American business men with a willingness to sacrifice principle in a greed for blood money must reckon with the vote on this referendum.

Proposals of the National Chamber's Referendum

It may not be amiss to refresh our memories upon the five proposals of the referendum which argue for the establishment of:

1. A more comprehensive and better defined sea law.
2. An international court for justiciable matters.

3. A council of conciliation for non-justiciable matters.
4. International conferences for the progressive amendment of international law.

5. A system of economic non-intercourse (business and financial) to be followed by military action if necessary, to be directed against any nation entering the foregoing agreements and then going to war without first submitting its difficulty to the acknowledged tribunal for examination.

The fact that some organizations declined to cast their votes on the referendum may, in some cases, be accounted for by a misconception of the proposal. Let me try to point out, briefly, what the proposal is not, and then content myself with an interpretive definition of it and its possibilities.

It is not a proposal to try to force a premature peace. Any government now involved that would, at this time, propose terms of peace conceivably acceptable to its opponents would be repudiated by its people. The proposal is based upon the conviction that, although we may not be able to influence the course or length of the war, the end of the war will present an opportunity for us to make our contribution toward the inevitable readjustments of international law and world relations.

Not a Disarmament Proposal

It is not a disarmament proposal. Regardless of any international agreements that may be made at the end of the war, it is not conceivable that for some years to come any nation will willingly allow itself to go unprepared to defend its honor, its rights, and its life. The proposal is not in competition but in cooperation with a broad program of preparedness. It contends that our military preparedness should be based upon a clearly defined international policy in order that our preparedness may not result merely in a cocksureness that is too often an incentive to trouble. It is a proposal that our military forces and in-

* Address on February 9 before the Fourth Annual Meeting of the National Chamber.

ternational policy shall be, not only our arm of defense, but also our contribution toward the guarantee of more permanent law and order among the nations of the world. While in perfect accord with adequate preparedness, it offers the logical road to relief from the burden of too great armaments, in this way: If a really workable international court could be established, every time it dealt successfully with an international difficulty the people of the nations involved would tend to trust the court more and arms less, and to be less favorable to abnormally increasing armaments.

It is not a partisan proposal. One of the leading spirits of the League to Enforce Peace, which contends for essentially the same program, is Ex-President Taft. And the other day in his address at Des Moines President Wilson is quoted as saying: "You know that there is no international tribunal, my fellow citizens. I pray God that if this contest has no other result, it will at least have the result of creating an international tribunal and producing some sort of joint guarantee of peace on the part of the great nations of the world." The proposal is in line with the best practical thinking and highest idealism of our time.

For the Supremacy of Law and Order

The proposal is that, in international relations, we give intelligent direction to that same evolution from war to law that has gone on within the nation. The story of civilization within the nation may be divided into three parts: first, the period when all disputes between individuals were settled by force; second, the period when public opinion began to say that men should use their reason instead of their guns in settling disputes; third, the period when public opinion translated itself into law and became effective. And law, after all, is essentially public opinion backed by power to enforce its decrees.

The nations of the world are today painfully working their way along the same road to law and order that the separate nations have labored in their development. We, as a member of the community of nations, are in the position of a man of peace living in a frontier town. Not in violation of his peace principles but because of them, when the property of the town and the honor of its women are no longer safe from outlaws, he joins the vigilance committee and contributes his part toward keeping the peace. In the same way, the principles of self-defense and duty to the common good combine in laying upon the United States the duty of joining the International Vigilance Committee to keep the peace of the world.

The whole trend of history is from war to law. The substitution of law for war among nations by all the arguments of experience is bound to come some time, and there are not lacking strong reasons indicating that the end of the present war may be that time. Let me state two reasons why the European nations may be expected to be in a receptive mood toward such a proposal as the business men of the United States are now making.

Why the European Nations will be Receptive

First, the fear that they dare not trust in the permanence of the present alliances for mutual protection. The statesmen of the several belligerent countries are already

taking steps to cement the present alliances for mutual protection after the close of the war. But the lessons of the victorious allies of the Balkan War splitting up over the terms of settlement and finally losing more than they had gained is vividly near. This lesson is bound to prevent the thinking men of all nations involved from putting too great confidence in the stability of such alliances. The alliances at the close of the war will be shadowed by the fear of a possible break-up over the discussion of terms of settlement, as happened in the Balkans. And even if the alliances should survive the period of settlement, there would remain the constant threat of a possible break over conflicting national interests. The day has passed when nations can live isolated, each in a defensive attitude toward the rest of the world. Modern conditions drive nations into alliances. The most superficial analysis shows that with a number of such alliances there is the constant danger of recurring dissolution and a shifting of individual nations from one alliance to the other. All of which means that the goal of international order and safety is an alliance of all important nations pledged to mutual safety.

Second, the certainty of rising revolutionary protest on the part of the masses against the excessive taxation caused by the increasing rivalry in armaments, which will inevitably follow if, at the end of the war, no way but war is left for the settlement of future disputes among nations. The rivalry in arms in the future, if a way is not found to diminish it, is bound to be even more costly than in the past. Faced by the inevitable necessity of a constantly increasing taxation that cannot but produce revolutionary discontent, any government will welcome a way of relief.

Why the Present is the Time

But men who have not had time to think the situation through may say, "Grant that Europe will be receptive to a practical proposal for international arbitration at the end of the war, but why should we concern ourselves with the plan now when, in the words of our President, half the world is on fire? Why not wait until the war is over and then sit down with the nations of Europe and in a World Conference think the problem out when the blood of the world is less hot?"

Let me state the three reasons why we should now assist in the completion of a Pan-American agreement on a plan of international arbitration with sufficient power behind it to insure its operation, in order that such an agreement may at the end of the war exist as the legalized purpose of the United States and the nations of South America to offer their contribution to a joint guarantee of a more enduring world peace.

A Program of Economic Non-Intercourse

(1) The existence of a definite program committing the American states to the principle of business and financial non-intercourse and military action to enforce reference of disputes to a tribunal, would in the nature of the case influence profoundly the diplomatic conferences on terms of settlement at the close of the war. A Pan-American program existing at the time of the diplomatic negotiations at the end of the war would inevitably carry great weight, because the war will have proved

America to be the biggest and safest source of those supplies on which the success of modern war depends. Thus the very material interests and self-preservation of Europe will be at stake in the answer they give to such a Pan-American program.

(2) If it should happen that the material interests of Europe did not lead to an adequate international agreement, at the end of the war, and the diplomats succeeded merely in holding together the present alliances, then it will be but a question of time when the inevitable rivalry in armaments, more costly than ever before, will pile such burdens of taxation upon the already debt-ridden people that, by the fact that there is a limit to endurance, radical unrest and revolutionary protest will arise from the masses. The governments will be under a constant pressure from the peoples to find some way out—a way that will lessen their burdens. This pressure will force the governments of Europe to go into a World Congress in an attempt to find something better than the existing alliances as a safeguard of peace, and some plan that will relieve the tension of the extravagant rivalry in armaments. In the event of such a World Congress unless some group of nations stood ready with a definite proposal there would be the probability of slow if not ineffective action. A definite Pan-American program would be a centralizing force in the actions of any conference of world powers.

(3) Besides all the push and pull of ethical and humane considerations, the business interests of the United States are at stake in the kind of settlement that comes at the end of the war. If this war is settled as all other wars have been settled, no way but war being left as a method for settling future serious disputes, the nations of Europe at the end of the war will face not only the enormous war debts and expense of a normal re-building of their industries, but in addition the continuously increasing burden of the rivalry in armaments. This means that Europe's need for markets will be the most urgent in her history.

American Business Interests at Stake

So imperative will be the need for markets that the nations of Europe will sell goods to us at a normal profit if they can, but if necessary they will lower their prices step by step until they succeed in capturing a market. They will urge upon their people the patriotic duty of accepting lower wages and lower standards of living in order that the nation may secure profit at the prices it is able to get with which to rebuild its industries and arm itself against the next war. Thus the war will be followed by a race for markets which will result in the most destructive competition yet known. The reaction of this competition upon the United States is reasonably clear and may be summarized as follows:

(1) Our markets will be materially restricted, not only in Europe, because of its reduced power to buy, but also in other countries whose power to buy will be indirectly reduced; for it is clear that if Brazil, for instance, cannot

sell as much coffee to Europe her power to buy from us will be thereby limited. Again, the hostile protective tariffs which the European countries are practically certain to adopt, in order to secure greater income and to make themselves more nearly self-sufficient as a military measure, will further restrict our markets.

(2) We will become more of a target of competition than ever. First, because we will be the richest and best market in the world at the end of the war. Second, because the no-trade policies between countries now at war which are already being formulated will further restrict Europe's markets.

(3) Aggravating elements will be injected into our labor problems. If Europe's necessity should drive her to lower wages our labor will of course be thrown into competition with them in many very important markets.

(4) Our tariff problem will become more and more complicated. If the protective tariffs of Europe limit our markets our apparent need of self-preservation will suggest to us a high protective tariff. But in all probability nothing short of a prohibitory tariff on many commodities would meet the situation, and that would result in:

(a) A serious reduction of our income causing great deficits.

(b) A tendency to resort to more direct taxation to meet these deficits. This would inevitably awaken protest and class strife.

(c) A tendency to narrow if not close the markets for our exports. This would mean that with our export markets largely closed our surplus of produced goods would accumulate on our hands and again react on our own business and wage problem.

Necessity for a Pan-American Agreement

This is but a partial survey of the conditions we are practically certain to face at the end of the war if some method other than war for the settlement of future disputes cannot be established.

From all this it appears to be the clear duty of the United States and the states of South America to take steps to complete a Pan-American program which will include international arbitration with power behind it to enforce its operation. If such a program is in existence it is probable that other neutral countries may want to join in it for their self-preservation. For the contrasting examples of unprepared Belgium invaded, while prepared Switzerland, with war on all sides, is intact, will drive them to preparation and involve them in the inevitable cycle of increasing armaments, increasing taxation to pay for the armaments, and the revolutionary protests that the taxation will in time produce, unless there is adopted some practical method for settling future disputes along the lines of the proposals the business men of the United States have now agreed upon.

The Veto Power of the President

With Regard to Separate Items and "Riders" in Appropriation Bills

By WILLIAM C. BREED*

Representing the Merchants' Association of New York

THE National Chamber of Commerce, whose Fourth Annual Meeting is now being held in this beautiful capital city, constitutes in my mind a most valuable forum to which the larger questions affecting our national or commercial life can be addressed, and through which a collective expression of the best opinion of America can be obtained.

Without some such organization or machinery, the thoughtful sentiment of the country on many important questions would be difficult to ascertain. The newspapers on which we so much rely are often of necessity the creators of sentiment rather than the recorders of the considered opinion of the thinking public.

The subject which I present to you on behalf of The Merchants' Association of New York relates to a suggested amendment to our National Constitution, providing for the amplification of the veto power of the President, so that he may be able to veto separate items or provisions in appropriation bills and not be obliged to approve or disapprove the bill as a whole. This would also give the right to veto "riders" attached to appropriation bills without vetoing the whole bill.

The reasonableness of such an amendment to the business mind is apparent almost without argument. And yet, since it is not an easy proceeding to obtain an amendment to the Constitution of the United States, it is accordingly both desirable and necessary to go very thoroughly into the history of the subject, the evils arising from existing conditions, and the benefits to be derived from a change.

Article V, section 1, of the Constitution provides as follows:

The Congress, whenever *two-thirds* of both houses shall deem it necessary, shall propose amendments to this constitution; or, on the application of the legislatures of two-thirds of the several states, shall call a convention for proposing amendments, which, in either case, shall be valid to all intents and purposes, as part of this constitution, when ratified by the legislatures of three-fourths of the several states, or by conventions in three-fourths thereof, as the one or the other mode of ratification may be proposed by the Congress; provided that no amendment, which may be made prior to the year one thousand eight hundred and eight, shall in any manner affect the first and fourth clauses in the ninth section of the first article; and that no state, without its consent, shall be deprived of its equal suffrage in the Senate.

To obtain an amendment to the Constitution of the United States, even upon a proposition which seems on its face most reasonable, it is necessary first to create a sentiment among our people, sufficiently strong, to justify Congress in passing by a two-thirds majority a resolution providing for such an amendment, and to bring about the adoption of such amendment by the legislatures of two-thirds of our states.

The task is, however, not barren of hope, provided such bodies as this National Chamber study the question and lend the force of their approval to the passage of such resolutions.

The sixteenth amendment to the Constitution covering the power to levy an income tax about which there was much political and economic difference of opinion, when once started on its way by Congress finally obtained the approval of the required two-thirds of the states and was adopted.

There are many reasons why a movement for an amendment such as the one under consideration should succeed:

(1) It does not involve any political or partisan question; (2) It would not alter or change any fundamental constitutional provision; (3) It is in the interest of an economical and business-like administration of national affairs; (4) It has been repeatedly urged by various Presidents of the United States, and by publicists and writers on constitutional questions; (5) Finally, the fact that many of the individual states have adopted this proposed amendment in their respective constitutions furnishes satisfactory and convincing evidence of the expression of the will of the sovereign people on this question.

I have tried to collect and collate the historical facts in relation to this proposal in order that they may be studied, and that the members of the Chamber of Commerce may be placed in possession of data which will at least enable them to come to a conclusion on the necessity and feasibility of forwarding a change in our Constitution on a matter of such vital economic interest.

Mr. James Bryce says in his *American Commonwealth*:

The American people are profoundly attached to the form which their national life has taken. The Federal Constitution is to their eyes an almost sacred thing—an ark of the covenant, whereon no man may lay rash hands.

The Constitution of the United States is indeed to be regarded as the greatest monument of public law of modern times. Few amendments have ever been made to it since its adoption in 1789. It, moreover, argues well for Democracy that the American people respect their Constitution and are conservative about changing it, but it must be remembered that during this period of a century and a quarter of national life many changes have taken place, and new national problems have been presenting themselves from year to year. The method of meeting these problems ordinarily has been through court construction of the various powers granted to the National Government under the Constitution; and the Courts have been extending their decisions until we are now almost forced to accept as a new theory of constitutional construction—the principle of national necessity.

* An address on February 10, before the Fourth Annual Meeting.

President Taft once said: "Things have been done under the sanction of the general welfare clause which would make even the 'General' himself sit up and blush."

During this period we have grown from a small population of a few millions to over one hundred millions. Our country is now well settled, our industries have progressed from individual ownership into great corporate and semi-public bodies. Our several state governments have become thoroughly well organized. The nation, the state, the municipality and business are now considering economies of operation, the broader needs of the people, and the bettering of living conditions. In other words, we have passed the constructive stage of national life, and have now reached the stage where we are beginning to consider the scientific management of the machine known as the Government. The people are beginning to demand that economy shall be practiced in governmental as well as in business and corporate affairs. On all sides we hear discussions on efficiency in management, of methods for the prevention of waste, the value and need of budgets in municipal, state and national affairs.

Is it not, therefore, reasonable to assume that an amendment proposed to our Constitution—which does not affect fundamental rights or privileges, but simply preserves to the Executive, power apparently originally intended to be granted, and places him in a position where he can exercise that power in the interest of economy, the prevention of waste, and as a check on extravagant expenditure of the people's money—should receive the approval of the people and of the people's representatives?

Existing Veto Power of the President

The veto power of the President, as conferred by the Constitution, is as follows:

ARTICLE I, SEC. 7, PAR. 2.

Every bill which shall have passed the House of Representatives and the Senate, shall, before it becomes a law, be presented to the President of the United States; if he approve he shall sign it, but if not, he shall return it, with his objections, to that House in which it shall have originated, who shall enter the objections, at large, on their Journal, and proceed to reconsider it. If, after such reconsideration, two-thirds of that House shall agree to pass the bill, it shall be sent, together with the objections, to the other House, by which it shall likewise be reconsidered, and if approved by two-thirds of that House, it shall become a law. ***

It is *prima facie* the intent of the Constitution that the President shall have the power to prevent the enactment of legislation to which he objects, unless upon a reconsideration two-thirds of the members of each House of Congress reapprove the bill disapproved by the President.

This implies that the President shall be free to give effect to his independent judgment upon the merits of bills which come before him for approval or disapproval.

Such independent judgment cannot now in all cases be exercised by the President, first because of the fact that, owing to the press of legislation, the various national appropriation bills are the last to be agreed upon by the Houses of Congress, and frequently do not come to the President until within ten days of adjournment, which means either

that the President must approve the bill as a whole or the entire appropriation fails; second, because appropriation bills are frequently presented for action by the President which contain as "riders" provisions of law which have nothing to do with the appropriation, but consist of new substantive law which could be passed in no other way. The appropriation provisions may be entirely in the public interests; those relating to the "rider" directly against public interest. If the President had power to veto items and provisions in those bills he could approve one and veto the other. Being presented conjointly, the President is now compelled to approve both or veto both.

The President is thus deprived of the power of independent judgment, and coerced into either accepting that which his judgment disapproves, or defeating that which he believes wise and necessary.

Evils and Abuses of Present Conditions

Under the present wording of Sec. 7 of Art. I of the Constitution relative to the President's power of veto, the following evils result:

(1) The practical powerlessness of the President to exert effective restraining influence upon wasteful and indefensible items in general appropriation bills; (2) The occasional enactment of undesirable measures opposed by the President, by attaching them as "riders" to general appropriation bills, usually indispensable to the operation of the Government and whose acceptance by the President is therefore almost compulsory by reason of the serious consequences attendant upon non-acceptance; (3) The occasional veto of great appropriation measures necessary to the proper and orderly administration of the Government, because they contain "riders," and because the judgment of the President will not allow him to become a party to making law that which he believes improper, against the interests of the people or unconstitutional, even at the expense of a failure to provide funds to run some particular department or function of the National Government.

The evils and abuses which arise from the present methods of Congress in preparing and passing appropriation bills are too well known to require detailed consideration. These bills are seldom completed and presented before the closing hours of Congress, and effective scrutiny and revision of them by the members of the respective houses is extremely difficult and practically impossible. They are frequently passed without the individual members having time to know what they contain. They are the channels through which many questionable and wasteful appropriations find easy course. Many items of a private or strictly local nature, and of questionable public interest are to be found in every large general appropriation bill.

Everyone knows what the American "pork barrel" is—few know why it is. The best answer is the lack of power in the chief executive to veto items in "pork barrel" bills.

The appropriation bills for the three sessions of the 62nd Congress covered an expenditure of \$1,302,139,454.60, and represented upwards of fifteen different appropriation measures in each session, many of which came to the President at the conclusion of the session. A veto of any of these bills

meant a serious clogging of the business of National Government.

The President is practically powerless to prevent these abuses which lie at the root of governmental extravagance, by reason of the fact that he can exercise no discretion as to individual items, but must accept measures as a whole or reject them as a whole.

The defects of the United States Constitution in the particulars noted are very generally conceded by publicists and denounced by well informed public opinion.

The eminent writer, Lord Bryce, in his great work, the *American Commonwealth*, says:

Recently, the President has urged upon Congress the desirability of so amending the Federal Constitution as to enable him (as a state governor is by some recent state constitutions allowed to do) to veto single items in an appropriation bill without rejecting the whole bill. Such an amendment is generally desired by enlightened men, because it would enable the Executive to do his duty by the country in defeating many petty jobs which are now smuggled into these bills, without losing the supplies necessary for public service which the bills provide. The change seems a small one, but its adoption would cure one of the defects due to the absence of ministers from Congress, and might save the nation millions of dollars a year by diminishing wasteful expenditure on local purposes.

The more one considers the subject of this proposed amendment to our Constitution, the more appropriate seems its presentation to this Convention at this time in our history.

I say at this time, because if our democratic form of government is not sufficiently well balanced to make possible the adoption of a measure of business economy into our organic law, then that law fails to that extent to meet the needs of democracy.

The change proposed is not one which affects any fundamental or substantial right granted by the Constitution. The President already has the power to veto the whole appropriation bill. Why should he not have the power to veto separate items or provisions in such bills? To give him such right can hardly be styled an enlargement of powers. One might more correctly say that it was but to give him the right to apply in a business-like manner the power which he already possesses.

The suggested amendment, moreover, was certainly not without the reasonable intendment of the framers of the Constitution, because when the President was given the power of veto and became a check on all legislation it can hardly be assumed that the Constitution makers, or certainly the adopting conventions, ever appreciated that the practical handling of large appropriation bills by Congress at the end of a session, and the establishment of a practice of adding "riders" to appropriation bills, might practically nullify the power of veto directly granted to the Executive.

The veto clause of the Constitution as it stands, or rather as it has worked out in practice, is clearly not expressive of the will of the people who constitute the sovereign Constitution making power.

State Action on the Subject

The best evidence that the people would be in favor of

the amendment under discussion is shown by the fact that in thirty-five (35) states the people have declared in constitutions which they have adopted, that they wish the Executive to have the power to veto individual items in appropriation bills.

Furthermore, in five of those states where the Constitution did not grant that power to the Executive, the people, by vote, have specifically amended their constitutions, so as to make possible the business-like handling of financial affairs of state government and the doing away, as far as possible, with log rolling, wasteful appropriation of moneys for public purposes, and appropriation of public funds for private and local interests.

Thirty-six states have moreover specifically provided that no legislative measure shall deal with more than one subject, and that subject shall be clearly expressed in its title. This again is direct evidence of what the people, the sovereign will, desire.

Congressional Action on the Subject

Further evidence that the amendment under discussion is one which should command serious attention is found in the fact that at least forty-five (45) resolutions have been introduced in Congress itself, providing that the President should be given the power to veto individual items and provisions in appropriation bills by Constitutional amendment. The last of these resolutions was introduced as late as the Sixty-fourth Congress in 1915.

It is interesting to note that practically all of these resolutions died a natural death in the committee to which they were referred. No debate seems to have taken place on any of the resolutions, although in 1906 Senator Hill of New York, at the end of a speech made in opposition to a motion to repass the Rivers and Harbors Bill, which had been vetoed by President Arthur, stated:

The consideration of this matter naturally leads to the suggestion that it is to be regretted that the Constitution does not permit the President to veto distinct items of appropriations in general appropriation bills. It is a necessary and desirable power, and one which according to my observation is not liable to abuse. It has existed for many years in the Constitution of New York, and in that of many other states of the Union, and there has been exhibited no disposition to abandon it anywhere where it has been tested. Its exercise would enable a President to discriminate between good and bad appropriations, between urgent and unnecessary ones, between those in the public interest and those designed for private benefit. It would preserve and save the meritorious appropriations embraced in the present measure, and eliminate its objectionable ones.

Senator Hill thereupon introduced a joint resolution, S. R. 156, proposing an amendment to Section 7 of Article I of the Constitution of the United States, which was read the first time by its title and the second time at length, as follows:

If any bill or joint resolution presented to the President contain several items of appropriation of money, he may object to one or more of such items while approving of the other portion of the bill or resolution. In such case he shall append to the bill or resolution, at the time of signing it, a statement of the items to which he objects, and the appropriation so objected to shall not take effect. If

the Congress be in session, he shall transmit to the House, in which the bill or resolution originated, a copy of such statement, and the items objected to shall be separately considered. If, on reconsideration, one or more of such items be approved by two-thirds of each House, the same shall be part of the law, notwithstanding the objections of the President. All the provisions of this section in relation to bills and resolutions not approved by the President shall apply in cases in which he shall withhold his approval from any item or items contained in a bill or resolution appropriating money.

On only one occasion has a resolution been in any way tested by vote of either branch of Congress, and on that occasion it arose on a motion by Mr. Flower of New York, in the 47th Congress (1882) to suspend the rules so that the Committee on Judiciary be discharged and that the resolution be passed. This motion, which required a two-thirds majority, was defeated, ayes 101, noes 58. Yet the large number of votes in favor of the resolution showed at that time a reasonable sentiment in its favor.

Senatorial Resentment of Attempted Coercion by "Rider"

During the administration of President Hayes, the House, which under the Constitution initiates all appropriation measures, sought to compel not only the assent of the President, but also of the Senate, to legislation which was not approved by either. It did so by affixing a "rider" to an appropriation bill. The Senate reluctantly yielded rather than starve the government by reason of the failure of the appropriation bills, but not without bitter protest; and the sense of that body was well expressed by a resolution offered by Senator Hoar of Massachusetts, which read as follows:

Resolved, That the refusal of one House of Congress to make necessary provision for the support of the Executive, Legislative, and Judicial departments, and for the defense of the country, except upon condition that the other House and the President shall give their assent to legislation which they disapprove, and the refusal by Congress to make such provision except upon condition that the President shall give such assent, are unconstitutional, revolutionary, and if persisted in must lead to the overthrow of Constitutional government and the destruction of national life.

Congressional Apathy

There are many reasons why Congress is not interested in taking up this question. First, the natural disinclination inherent in all legislators to give up any power once acquired, by legal right or even custom. There is, moreover, a belief in some legislators' minds that the Presidential veto, even though the legislature possesses the right of re-passage by a two-thirds majority, is inherently wrong. A well-known Senator from Nevada once said, in favoring the re-passage of a bill which had been vetoed by the President:

We now know that the shadow of the veto constantly hangs over the deliberations of both Houses of Congress. Other things being equal, I should always vote to pass a bill over the Presidential veto. In fact, I shall do it on all occasions, whether I like the bill or not, unless I believe it to be unconstitutional. If a bill has been passed by the two Houses, which in my judgment is constitutional, I should, whether I liked it or not, vote to pass it over the veto, because I think the veto power is one of the agencies which are subverting our government and destroying the equilibrium of its coordinate departments.

How well President Polk answers this narrow view, when he says in one of his messages to Congress.

The President's power is negative merely, and not affirmative. He can enact no law. The only effect, therefore, of his withholding his approval of a bill passed by Congress is to suffer the existing laws to remain unchanged, and the delay occasioned is only that required to enable the States and the people to consider and act upon the subject in the election of public agents who will carry out their wishes and instructions. Any attempt to coerce the President to yield his sanction to measures which he cannot approve would be a violation of the spirit of the Constitution, palpable and flagrant; and if successful would break down the independence of the executive department, and make the President, elected by the people, and clothed by the Constitution with power to defend their rights, the mere instrument of a majority of Congress.

The question of the Executive veto is, however, settled by the Constitution. The question we are considering is the right to make that veto effective, and to give the President power to veto separate items and provisions in bills carrying appropriations.

It is indeed to be feared that the expressions of our representatives against the reasonableness of such a proposed amendment, the necessity for which has been shown by history, and the desire for which on the part of the people has been written into the constitutions of their own states, is a personal self-interest, and a desire to retain every possible control of the purse strings, rather than an honest economic objection to such Executive power.

Comments by the Presidents

Perhaps the strongest argument in favor of granting to the Chief Executive the power to veto individual items in appropriation bills, and one disclosing the iniquity of the principle of attaching "riders" to appropriation bills is to be found in the expressions of the Presidents themselves when confronted with these bills from time to time during the past century.

In 1844, President Tyler, in vetoing the Rivers and Harbors appropriation bill, voiced his sentiments in very clear language:

The bill is also liable to a serious objection because of its blending appropriations for numerous objects, but few of which agree in their general features. This necessarily produces the effect of embarrassing Executive action. Some of the appropriations would receive my sanction if separated from the rest, however much I might deplore the reproduction of a system which for some time past has been permitted to sleep with apparently the acquiescence of the country.

In 1856, President Pierce, upon giving his approval to the Army Appropriation bill, protested against a rider prohibiting the employment of federal troops for the enforcement of territorial law in Kansas (Index to Messages and Papers of the Presidents, title "Rider"); and President Buchanan in his first annual message in the following year expressed his feelings on the subject of the coercion imposed upon him in this respect, as follows:

A practice has grown up of late years to legislate in appropriation bills at the last hours of the session on new and important subjects. This practice constrains the President either to suffer measures to be

come laws, which he does not approve, or to incur the risk of stopping the wheels of Government by vetoing an appropriation bill.

In 1873, President Grant, in his fifth annual message, recommended a constitutional amendment, giving the President power to veto separate items of appropriation bills.

In 1876, President Grant approved the Rivers and Harbors appropriation bill, but called attention to the wastefulness and impropriety of various items therein, and on returning the bill with his signature, he said:

In affixing my signature to the River and Harbor Bill, No. 3822, I deem it my duty to announce to the House of Representatives my objections to some features of the bill, and the reason I sign it. If it was obligatory upon the Executive to spend all the money appropriated by Congress, I should return the River and Harbor Bill with my objections, notwithstanding the great inconvenience to the public interests resulting therefrom and the loss of expenditures from previous Congresses upon incompleting works. Without enumerating, many appropriations are made for works of purely private or local interest, in no sense national. I cannot give my sanction to these, and will take care that during my term of office no public money shall be expended upon them.

In 1879, President Hayes, vetoing the Army Appropriation Bill, said:

The practice of tacking to appropriation bills measures not pertinent to such bills did not prevail until more than forty years after the adoption of the Constitution. It has become a common practice. All parties when in power have adopted it. Many abuses and great waste of public money have in this way crept into appropriation bills. The public opinion of the country is against it. The States which have recently adopted constitutions have generally provided a remedy for the evil by enacting that no law shall contain more than one subject, which shall be plainly expressed in its title. The constitutions of more than half of the States contain substantially this provision. *

It is clearly the constitutional duty of the President to exercise his discretion and judgment upon all bills presented to him, without constraint or duress from any other branch of the Government. To say that a majority of either or both of the Houses of Congress may insist upon the approval of a bill under the penalty of stopping all of the operations of the Government for want of the necessary supplies is to deny to the Executive that share of the legislative power which is plainly conferred by the second section of the seventh article of the Constitution. It strikes from the Constitution the qualified negative of the President. * * *

With a firm and conscientious purpose to do what I can to preserve unimpaired the constitutional powers and equal independence, not merely of the Executive, but of every branch of the Government, which will be imperilled by the adoption of the principle of this bill, I desire earnestly to urge upon the House of Representatives a return to the wise and wholesome usage of the earlier days of the Republic, which excluded from appropriation bills all irrelevant legislation.

On May 29, 1879, President Hayes also vetoed the Civil Appropriation Bill, carrying \$18,000,000 appropriation, because it carried a "rider" intended to nullify the Election Act. In his message he reiterated the reasons which he had previously given.

On June 30, 1879, President Hayes vetoed the United States Marshals' Appropriation Bill, also carrying a "rider," and at that time further said:

The object manifestly is to place before the Executive this alternative: Either to allow necessary functions of the public service to be

crippled or suspended for want of the appropriations required to keep them in operation, or to approve legislation which in official communications to Congress he had declared would be a violation of his constitutional duty.

On May 4, 1880, President Hayes vetoed the Deficiency Appropriation Bill, because of a similar "rider."

I am firmly convinced that appropriation bills ought not to contain any legislation not relevant to the application or expenditure of the money thereby appropriated, and that by a strict adherence to this principle an important and much needed reform will be accomplished.

In 1882, President Arthur reluctantly vetoed the Rivers and Harbors Appropriation Bill, because it contained wasteful and unjustifiable items, and because it failed to "observe the constitutional limitations imposed upon the law making power." In his veto message he said:

Many of the appropriations in the bill are clearly for the general welfare and most beneficent in their character. Two of the objects for which provision is made were by me considered so important that I felt it my duty to direct to them the attention of Congress. In my annual message in December last I urged the vital importance of legislation for the reclamation of the marshes and for the establishment of the harbor lines along the Potomac front. In April last, by special message, I recommended an appropriation for the improvement of the Mississippi River. It is not necessary that I say that when my signature would make the bill appropriating for these and other valuable national objects a law, it is with great reluctance and only under a sense of duty that I withhold it.

My principal objection to the bill is that it contains appropriations for purposes not for the common defense or general welfare, and which do not promote commerce among the States. These provisions, on the contrary, are entirely for the benefit of the particular localities in which it is proposed to make the improvements. I regard such appropriation of the public money as beyond the powers given by the Constitution to Congress and the President.

In the same year, 1882, President Arthur, in his second annual message, recommended that either each item or appropriation be a separate bill, or that the Federal Constitution be amended so as to give the President power to veto separate items of appropriation bills.

In 1888, President Cleveland, in his fourth annual message to Congress, said:

Appropriation bills for the support of the Government are defaced by items and provisions to meet private ends, and it is freely asserted by responsible and experienced parties that a bill appropriating money for public internal improvement would fail to meet with favor unless it contained items more for local and private advantage than for public benefit.

Thus the President showed his firm belief in the pressing need for power to veto items of the character which he described as improper.

In 1892, President Harrison, in his message to Congress regarding the Indian Appropriation Bill which he approved, quoted a section thereof carrying an appropriation of \$2,991,450, and commented as follows:

If this section had been submitted to me as a separate measure, especially during the closing hours of the session, I should have disapproved it, but the Congress was then in its last hours, and disapproval

of the General Indian Appropriation Bill, of which it was a part, would have resulted in consequences so far-reaching and disastrous that I felt it my duty to approve the bill.

As stated by the President, it thus appears that he approved this item practically under duress.

In 1896, President Cleveland, much against his will, vetoed the General Deficiency Appropriation Bill, thereby defeating legitimate and necessary deficiency appropriations, because the bill contained an item as a "rider" for the payment of the French spoliation claims, which when presented separately to Congress had been repeatedly rejected, and which had also been rejected by vetoes of President Polk and President Pierce. The President in his message said:

To the extent that the Constitution has devolved upon the President a participation in legislation I suppose his action on bills presented to him for approval involves a duty to be performed, like others pertaining to his office, with care and circumspection and in full view of his responsibility to the people and his obligation to subserve the public welfare. It is difficult to understand why under the Constitution it should be necessary to submit proposed legislation to Executive scrutiny and approval except to involve the exercise of Executive judgment and invite independent Executive action.

The unpleasant incidents which accompany the use of the veto power would tempt its avoidance if such a course did not involve an abandonment of constitutional duty, and an assent to legislation for which the Executive is not willing to share the responsibility.

I regret that I am constrained to disapprove an important appropriation bill so near the close of the present session of Congress * * * This bill is in many of its features far removed from a legitimate deficiency bill, and it contains a number of appropriations which seem to me to be exceedingly questionable. Without noticing in detail many of these items, I shall refer to two of them which in my judgment justify my action in the premises.

In August, 1912, President Taft was forced to veto the important Civil Appropriation Bill, because it contained two important items of substantive law in the form of "riders" which he strongly disapproved, namely: (a) A provision radically weakening the Civil Service Law; (b) Abolition of the Commerce Court. In his special message he states his reasons for disapproval, and points out the danger of the practice involved in "rider" legislation, and the desirability of granting to the Executive the right to veto individual items, as follows:

This is one of the great supply bills necessary for the maintenance of the Government, and it goes without saying that nothing but reasons of especial importance would lead me to interpose objections to its passage.

In a message returning the Army Appropriation Bill to the House of Representatives with my objections to its approval, under date of June 17, 1912, I ventured to point out the dangers inherent in the practice of attaching substantive legislation to appropriation bills and I need not repeat them here. It is sufficient to say, however, that when it is thought wise by Congress to include in general supply bills important substantive legislation, and the Executive cannot approve such legislation, it is his constitutional duty to return the bill with his objections, and the responsibility for delay in the appropriation of the necessary expenses to run the Government cannot rest upon the Executive, but must be put where it belongs—upon the majority in

each House of Congress that has departed from the ordinary course and united with an appropriation bill amendments to substantive law. The importance and absolute necessity of furnishing funds to maintain and operate the Government cannot be used by the Congress to force upon the Executive acquiescence in permanent legislation which he cannot conscientiously approve.

In 1912, at the last session of the Sixty-second Congress, there was added to the Sundry Civil Appropriation Bill one of the most objectionable riders ever sought to be forced upon a President. The intent of this rider was to relieve specific classes from the penalties of the Sherman Anti-Trust Law, while continuing those penalties as against all other classes.

President Taft, in one of his strongest messages to Congress, reviewed the measure in detail, and showed clearly its unconstitutionality and the impropriety of "rider" legislation by a legislative body. He said:

My reasons for failing to approve this important appropriation bill are found in a provision which has been added to that appropriating \$300,000 for the enforcement of the anti-trust laws in the following language:

Provided, however, that no part of this money shall be spent in the prosecution of any organization or individual for entering into any combination or agreement having in view the increasing of wages, shortening of hours, or bettering the condition of labor, or for any act done in furtherance thereof not in itself unlawful; *Provided, further,* that no part of this appropriation shall be expended for the prosecution of producers of farm products and associations of farmers who co-operate and organize in an effort to and for the purpose to obtain and maintain a fair and reasonable price for their products.

This provision is class legislation of the most vicious sort. If it were enacted as substantive law and not merely as a qualification upon the use of monies appropriated for the enforcement of the law, no one, I take it, would doubt its unconstitutionality.

This Chamber, by virtue of its representative and nationwide membership—by reason of the care required by its by-laws before conclusions can be expressed on any subject—by reason of the moral force which always accompanies co-operative expression in a democracy—has an opportunity in the study of this question to render to democracy a great and valuable service.

At this crisis in history, the eyes of the world may be said to be centered upon the American Democracy. Democracy rests upon a constitution. The Constitution is but expressive of the will of the sovereign people. If a constitution be so inelastic that it cannot yield to the will of the people then it fails to that extent as a charter of future usefulness for Democracy.

It is the hope of the Merchants' Association of New York that this Chamber will see fit to authorize a referendum upon the resolution submitted, that we may learn the sentiment of its members as to whether they believe that the Executive should be given the power of independent judgment on separate items of national appropriation measures, or whether we should continue a system which is unscientific, uneconomic and to a large extent makes possible a nullification of the intention of the framers of that great instrument, the Constitution of the United States.

The Necessary Basis of National Defense

Preliminary Report of the Chamber's Committee*

THIS Committee was appointed January 18, and held its first meeting in Washington on January 25. At this meeting the Committee was divided into three sub-committees, one concerning itself with the problem of National defense as related to the Navy, one as related to the Army, and one as related to the economic organization of the country. It is obvious that, with the short time between the formation of this Committee and this preliminary report, no complete plan as to details of organization could have been perfected or agreed upon. The Committee therefore feels that this report should only indicate the general broad principles of sound organization which we believe to be the same, whether applied to business or national defense. The Committee believes that the first lesson to be drawn from the present war in Europe is that under modern conditions there is no asset, commercial, financial, social or military, which is not necessary for the common use of the nation under the pressure of a great war. The Committee also believes that it is unwise and undesirable to propose any plan of national defense which will cultivate in the minds of the people of the United States a desire for war or a so-called militaristic spirit. Neither should such a plan of national defense sacrifice the interests of peaceful, economic development. The organization for national defense should, in our opinion, be equally applicable to national prosperity and the cultivation of a sound and patriotic citizenship.

We believe that no plan of national defense should be adopted which will permit, due to the outbreak of war, any profit arising out of the national danger to any one, and in case the pressure of war is put upon us we may unitedly and universally accept sacrifices, both of property and person for the one great national necessity.

The Committee believes that the first requirement for sound organization is a Council of National Defense which should perform an advisory and coordinating function. No form of national strength should be unrepresented in this Council of National Defense, nor should any plans for the use of the national strength be left undeveloped.

The Navy as the first line of defense of the country and the Army as the second line of defense should be developed in accordance with a continuous policy laid down by the Council of National Defense acting under orders and advice from the President of the United States and the Congress.

Our National Policies

The United States has adopted certain American policies a number of which have been referred to by the President in recent addresses. The Monroe Doctrine, the new Pan-Americanism which marks its latest phase, Asiatic exclusion, the open door in China, the principles of the freedom of the seas and the insurance of our proper influence in the enforcement of international law all these policies,—which are coming to constitute something akin to national creed—will never lead us to aggression, but they may on the other hand readily provoke others to a course of offense.

* This Committee is composed of Bascom Little, Chairman; Blon J. Arnold, Louis T. Golding, Matthew E. Hanna, Ira N. Hollis, Albert J. Logan, Franklin T. Miller, Henry A. Wise Wood, D. S. Chamberlain. Presented February 10, at the Fourth Annual Meeting.



©Harris & Ewing

Bascom Little

Chairman of the National Chamber's Committee on National Defense

As the principal concern of the country must be to uphold and withstand the consequences of its policies, the first line of defense, by our geography, is the Navy. And if attacked, the cheapest, most effective and safest defense by the Navy can only be obtained if it is strong enough to seek out and destroy the enemy at sea and certainly at a distance from our shores sufficiently great to render invasion impracticable and thus eliminate the alarm and consequent commercial and financial paralysis and loss which accompany the immediate menace of such a danger. It is believed by many, and the President has practically so stated, that the Navy must therefore be large enough to accomplish this purpose on any of our coasts, Atlantic, Gulf or Pacific, without relying upon the brittle nexus of the Panama Canal. Our Navy, which has been second, is now fourth in the world. What the stimulated war construction of present belligerents may show is still a matter of some speculation and it is not impossible that the conclusion of the war may find the United States fifth among the world's naval powers.

Our Naval Rank

It is the opinion of the Committee that the strength of the Navy should be increased with all dispatch until it shall be sufficient to restore the United States to its former position of second naval power in the Atlantic, with a surplus in the Pacific sufficient to insure therein to the United States the command of its coasts, its possessions, and its trade routes, and to protect from invasion the Canal and adjacent territory.

Behind the Navy, and constituting the second line of defense, should be the Army of the United States. Your Committee in its present state of knowledge on the subject does not desire to enter into the discussion of technical questions. It is, however, quite clear in one or two points in connection therewith: First, that a highly efficient regular army with reserves be maintained which shall be sufficient to do the peace time military duty of the United States, furnish garrisons for our oversea possessions, and our harbor defenses, take the first shock of war, and be the training school for officers of the higher ranks. Back of this professional army there should be the entire organized and trained manhood of the nation. Your Committee believes that there can be no military organization in a great democracy such as ours which will be either desirable or safe, much less adequate, unless it lays down for all time the principle that equal rights mean equal obligations. No organization can be sound in a democracy which does not recognize this principle. There are well known examples of the successful work of organizations based on this principle in two of the most democratic political units in the world, namely, Switzerland and Australia. Your Committee believes in the great value to our country of this sort of universal training in time of peace, for its economic advantage to every individual and for the cultivation of patriotism, good citizenship, good health and good morals which will be worth many times over the cost of maintaining the system.

In the great scheme of national defense there can be no question of rich or poor, privilege or non-privilege. There

can only be organization on the basis of each individual's capacity to serve, either in arms or in the industrial mobilization. It must be supported by an enthusiastic patriotism, tempered with good judgment and the realization of every individual that he has a vital stake in the continuation of the life of the nation.

Back of the Army and Navy and supporting the entire structure of organization for national defense should be the economic organization of the nation. This subject your Committee feels is one concerning which the Chamber of Commerce of the United States and its constituent organizations has a right to speak with some authority. Attached to this report is an analysis of the elements of an economic organization program. There is also attached hereto discussions of naval and military organization as well as a suggested plan for the organization of the Council of National Defense which the Committee hopes may be developed further in case your Board of Directors instructs the Committee to go on with its work.

From the foregoing observations of the Committee it is obvious that the problem of sound and effective defense is a vast and complicated one. The phases of it upon which the business men of the country can speak with authority are vital, namely: how is the Government to obtain the men without economic loss to the community as a whole; how equip and organize them; how meet the cost of maintaining them in the field, and thus secure the lasting freedom of the people.

The Committee realizes that this or any other adequate plan of national defense necessarily involves the raising and spending of large sums of money. To carry this burden the Federal Government should closely examine its present expenditures for all purposes and then courageously assess the necessary new requirements upon the people of the nation. The Committee is certain that the nation will respond and that the Chamber of Commerce of the United States will support the Government in its requests for adequate funds.

Your Committee feels that in view of the importance of this general subject the Chamber of Commerce of the

United States and its constituent organizations should offer to the President and to Congress all the resources of information which are at present at hand or can be acquired, as well as the personal services of officers, committees, and individual members.

The accompanying chart represents graphically the Committee's idea of the form of organization best suited for this new plan.

In order to create the Council of National Defense, new legislation will be needed.

Additional legislation will be needed to strengthen the

present Office of Naval Operations into a General Staff for the Navy. The size of the Navy should be determined by the policy of the nation in its relation to the outside world, and adequate to support this policy whatever it may be.

The Staff of Industrial Mobilization should be created by new legislation and given powers to work out and submit to Congress carefully detailed plans for the use of the National Economic strength in case of war.

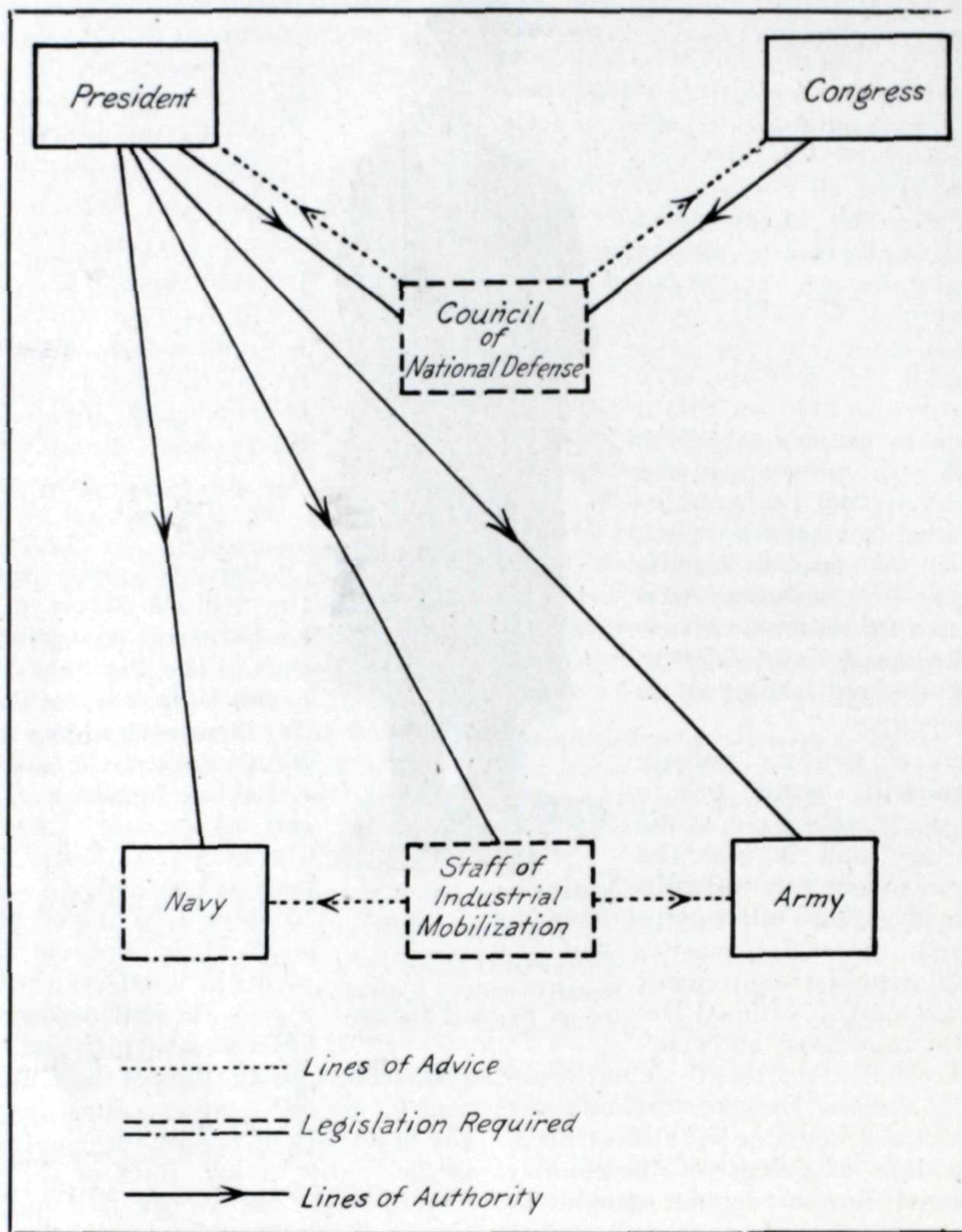
The functions of the Staff of Industrial Mobilization shall be to gather data as to the character and quantity of munitions and supplies required, the tools of industry available to produce them, and the means of making these tools of industry effective through legislation, organization and training.

The War Department is already equipped with a legally constituted general staff, therefore legislation regarding it need only concern itself with the proper use of the resources of men in the nation. Your Committee believes that as a matter of sound organization, if for no other reason, all the military forces of the nation should be under the direct and absolute control of the Federal authorities, and furthermore that no plan less complete than universal training will achieve full use of the nation's strength in men.

Your Committee request that this report be approved and that they may be directed to perfect it so that the principles it embodies may be formulated as the subject of a referendum at the earliest practicable date.

For the Committee on National Defense

BASCOM LITTLE, *Chairman.*



A Permanent Tariff Commission

Report of the National Chamber's Special Committee *

At the First Annual Meeting of the Chamber of Commerce of the United States of America, January 21 to 23, 1913, a resolution was adopted in favor of the establishment of a Permanent Tariff Commission, and was referred to the Board of Directors for referendum to the constituent members of the Chamber. This was submitted, on April 30, 1913, in the following form:

Permanent Tariff Commission—Organization of Commission

1. That the appointment of the Commission, following the usual procedure, be vested in the President with the advice and consent of the Senate.

2. That in order to make the Commission an effective administrative body, the number of commissioners should be limited, preferably not more than five.

3. That the term of office of members of the Commission should be sufficiently long to give the board stability and permanency, preferably six years, and the terms of members should expire in rotation as in the Interstate Commerce Commission.

4. That a provision should be made for minority representation as in the case of the Interstate Commerce Commission, where not more than three of the five members shall be of one party.

Powers of Commission

1. To gather, investigate, and tabulate technical and statistical facts of all kinds pertinent to the tariff schedules, both in this and other countries.

2. The reports of the Commission should be confined to ascertained facts and should exclude recommendations unless called for by the body having power to institute tariff legislation. The information secured by the Commission should be available to either House of Congress and to the President.

The result of the referendum was 715 votes in favor of a Commission to 9 opposed. The aggregate membership of the organizations that voted affirmatively was 114,000.

In February, 1915, the delegates to the Third Annual Meeting unanimously reaffirmed the position of the National Chamber as determined in the Referendum of 1913.

Early in 1915 the Board of Directors decided that the time had arrived for an active movement in support of legislation for a Permanent Tariff Commission. It was felt that the national welfare demanded that such a body be created and immediately set to work to assemble the known facts of industry and commerce as a basis for tariff legislation.

* This Committee consists of Daniel P. Morse, Chairman; E. F. Prentiss, William H. Stevenson, William Goldman, Daniel W. Whitmore, Caesar Cone, E. W. McCullough, Francis T. Simmons. Presented February 8 before the Fourth Annual Meeting.

A national committee was appointed to direct the work. Inquiry showed strong sentiment in favor of prompt action predominant in all parts of the country. Circular letters urging the appointment of local committees to cooperate with the national committee were sent to all organization members. In a short time over two hundred such committees had been appointed and supplied with literature setting forth the plan to which the National Chamber is committed.

A carefully prepared pamphlet giving the results of the Referendum of 1913, and presenting arguments in favor of a Permanent Commission was placed in the hands of each member of Congress. The acknowledgments indicated keen interest in the question and a disposition to give it careful consideration.

Probably the most important recent development is the statement by President Wilson of his attitude toward the question in official communications to the Chairman of the Ways and Means Committee.

His letters to Chairman Kitchin show an appreciation of the difficulties involved in tariff legislation and of the necessity for a more authoritative determination of the essential facts of business than is possible through the medium of existing agencies. They constitute a strong presentation of the arguments in favor of a Tariff Commission of the kind advocated by the Chamber of Commerce of the United States. In stating progress it is very appropriate for the Committee to incorporate both letters in its report.

THE WHITE HOUSE

WASHINGTON, D. C., January 24, 1916.

"MY DEAR MR. KITCHIN:

In common, I dare say, with every one who wishes to be thoughtful of the future economic prosperity and development of the country, I have been thinking a great deal recently about what it would be wise to do to provide the Government with the necessary data to furnish a sound basis for the policy which should be pursued in the years immediately ahead of us, years which will no doubt be full of many changes which it is at present impossible even for the most prescient to forecast, and the more I have thought about the matter the plainer it has become to me that we ought to have some such instrumentality as would be supplied by a Tariff Board.

"I am convinced, as I suppose every disinterested person must be, that it would be a mistake to provide for such a board with the idea of serving any particular theory of fiscal policy. What we would need would be, above all things else, a board as much as possible free from any strong prepossession in favor



©Harris & Ewing

Daniel P. Morse, Chairman
National Chamber's Committee
on a Tariff Commission.

of any political policy, and capable of looking at the whole economic situation of the country with a dispassionate and disinterested scrutiny.

"I believe that we could obtain such a board if the proper legislation were enacted, and it is quite clear to me what the field of its inquiry and its activity should be. It should, it seems to me, investigate the administrative and fiscal effects of the customs laws now in force or hereafter enacted; the relations between the rates of duty on raw materials and those on finished or half finished products; the effects of ad valorem and specific duties, and of those which are a compound of specific and ad valorem; the arrangement of schedules of duties and the classifications of the articles of the several schedules; the provisions of law and the rates and regulations of the Treasury Department regarding entry, appraisement, invoices, and collection; and in general the working of the customs tariff laws in economic effect and administrative method.

"It could and should also secure facts which would be very useful to the administrative officers of the Government, to the Congress, and to the public at large through investigations of revenues derived from customs duties and the articles subject to duty, the cost of collection thereof, and the revenue collected from customs duties at the several ports of entry; and it should be directed to investigate and throw light from every possible angle on the tariff relations between the United States and foreign countries, the rates of duty imposed on American products in foreign countries, the existence and effects of discriminating duties, commercial treaties and preferential provisions, the effects of any special or discriminating duties that may be levied by the United States. It might in this connection furnish the State Department with very valuable information regarding treaty and tariff relations between the United States and foreign countries.

"It might further be of great assistance to the Congress and to the public and to American industry by investigating the industrial effects of proposed or existing duties on products which compete with products of American industry; the conditions of competition between American and foreign producers, including all the essential facts surrounding the production of commodities at home and abroad; the volume of importation compared with domestic production; the nature and causes of the advantages and disadvantages of American as compared with foreign producers, and the possibility of establishing new industries or of expanding industries already in existence through scientific and practical processes in such a manner as substantially to promote the prosperity of the United States.

"I think it would be very useful and, indeed, necessary to require the board to act in connection with all appropriate agencies already in existence in the several departments of the Government, and even with appropriate agencies outside of the existing departments in order to avoid so far as possible duplications of

work and to make all sources of official information available to the same end.

"If broadly enough empowered, such a board might be very helpful in securing the facts on which to base an opinion as to unfair methods and circumstances of competition between foreign and domestic enterprises and as to the possibilities and dangers of the unfair "dumping" of foreign products upon the American market and the steps requisite and adequate to control and prevent it. It might in this field, as well as in others, secure very valuable information for the guidance of American Consuls and for the use of the Board of General Appraisers and other Treasury officials.

"I have gone into these particulars because I felt that they would make clearer than I could make it in general phrases my idea of the field of unpartisan inquiry within which such a commission could render a useful and perhaps indispensable service to the country, and I am taking the liberty of bringing the matter to your attention just at this time because I hope it will be possible for the Committee on Ways and Means of the House of Representatives to take this question up immediately with a view of formulating some policy and action concerning it. I feel confident that you will agree with me that the situation of the whole world in the matter of economic development is so unusual and our own interest in the changes probably impending so vital that I am justified in pressing this great topic upon the consideration of the committee at this time. With warmest regards, cordially and sincerely,

WOODROW WILSON."

THE HON. CLAUDE KITCHIN,
House of Representatives.

In his second letter the President admits that he did not originally favor the Commission plan and explains why he changed his mind. The letter reads:

THE WHITE HOUSE

WASHINGTON, January 26, 1916.

"MY DEAR MR. KITCHIN:

"Our conversation yesterday made me realize that in my letter of the 24th I had not set forth as I should have set them forth my reasons for changing my mind on the question of creating a Tariff Board, for I must frankly admit that I have changed my mind since I last spoke on that subject.

"I have changed my mind because all the circumstances of the world have changed, and it seems to me that in view of the extraordinary and far reaching changes which the European war has brought about it is absolutely necessary that we should have a competent instrument of inquiry along the whole line of the many questions which affect our foreign commerce.

"I have had in this change of mind no thought whatever of a change of attitude toward the so-called protection question. That is neither here nor there. A commission such as I have suggested would have

nothing to do with theories of policy. They would deal only with facts and the facts which they would seek ought to be the actual facts of industry and of the conditions of economic exchange prevailing in the world, so that legislation of every kind that touched these matters might be guided by the circumstances disclosed in its inquiries.

"I dare say you feel as I do, that it would be folly at this time, or until all the altered conditions are clearly understood, to attempt to deal with questions of foreign commerce by legislation, and yet having dealt directly and clearly with the whole question of unfair competition within our own borders, it is clear that as soon as we know the facts we ought to deal with unfair methods of competition as between our own nation and others, and this is only one of the many things that we would probably wish to deal with. The other matters I have attempted to indicate in my previous letter to you. I am glad to supplement that letter by this explicit statement of the considerations which have been most influential with me.

"You will remember that in my last message to Congress I foreshadowed just the considerations which were operating in my mind in this matter. The passage to which I refer was this:

"Many conditions about which we have repeatedly legislated are being altered from decade to decade, it is evident, under our very eyes, and are likely to change even more rapidly and more radically in the days immediately ahead of us, when peace has returned to the world and the nations of Europe once more take up their tasks of commerce and industry with the energy of those who must bestir themselves to build anew. Just what these changes will be no one can certainly foresee or confidently predict. There are no calculable, because no stable, elements in the problem. The most we can do is to make certain that we have the necessary instrumentalities of information constantly at our service so that we may be sure that we know exactly what we are dealing with when we come to act, if it should be necessary to act at all. We must first certainly know what it is that we are seeking to adapt ourselves to. I may ask the privilege of addressing you more at length on this important matter a little later in your session."

"I need hardly say that I appreciate very fully the motives by which you are yourself actuated and it is, therefore, with the greater confidence that I lay the whole matter thus fully before you. Congress has so much to do at the present time that it is clearly impossible that it should be able to collect all the data which such a commission would gather, and I feel that it would presently find such a commission indispensable to it.

Cordially and sincerely yours,
WOODROW WILSON."

HON. CLAUDE KITCHIN,
House of Representatives.

Your Committee calls particular attention to the following sentence in the President's first letter to Mr. Kitchin as describing the exact kind of a Commission the Chamber of Commerce of the United States seeks:

Kind of Commission Needed

"What we would need would be, above all things else, a board as much as possible free from any strong prepossession in favor of any political policy, and capable of looking at the whole economic situation of the country with a dispassionate and disinterested scrutiny."

and to this quotation from the President's second letter as giving unanswerable argument why it is necessary:

"I must frankly admit that I have changed my mind since I last spoke on that subject (a Tariff Board). I have changed my mind because all the circumstances of the world have changed, and it seems to me that in view of the extraordinary and far-reaching changes which the European war has brought about it is absolutely necessary that we should have a competent instrument of inquiry along the whole line of the many questions which affect our foreign commerce."

Thus far 18 bills, about equally divided between the members of the two great political parties, have been introduced in the House and Senate. Most of them embody the principles endorsed by the National Chamber.

Your Committee does not feel that creating a Tariff Commission will take the Tariff completely out of politics but strongly believes that if created, a personnel will be obtained for the finding of economic facts which will command the confidence both of the Congress and the people with the resulting effect of materially lessening the great upheaval in, and disasters to, all kinds of business and labor which have ever come from a change of administration in our Government.

Business Interests in Favor of a Commission

In conclusion, the Committee, on behalf of the Board of Directors, desires to express appreciation of the active assistance rendered by other organizations. While the outlook is promising, the Committee urges upon every member of the National Chamber and particularly upon the special committees representing local organizations, the importance of continuing the advocacy of a Commission. Even though the extraordinary conditions created by the war had not supplied the strong arguments which the President has advanced in favor of creating a Commission at this time, the overwhelming sentiment of the business interests of this country has been shown time and again in favor of a Commission, and it is of importance therefore that our representatives in Congress should come to know from the individual organizations comprising the Chamber just how strong this sentiment is.

SPECIAL COMMITTEE ON PERMANENT TARIFF COMMISSION,

DANIEL P. MORSE, *Chairman*.

has been taken by England, Germany, France, Norway, Sweden, Austria, Italy, Spain, Japan, etc.

The present Government bill provides that hereafter no vessel registered or enrolled under the laws of the United States shall be sold to any person, firm or corporation other than a citizen of the United States or transferred to any foreign registry without the approval and consent of the Board, and that all vessels purchased, chartered or leased from the Board shall be registered or enrolled as vessels of the United States.

A Bureau of War Risk Insurance was also created under Government control to insure American vessels during the war, and has been of considerable advantage to our shipping. It is a pity, however, that authority was not given the Bureau to cover risks on American goods, whether shipped in American or foreign vessels, as such action would have saved our shippers considerable trouble and loss, as they had to cover in foreign insurance companies, at high rates.

The Seamen's Act passed by Congress became effective November 4th, 1915, for American vessels, and applies to foreign ships March 4th, 1916. This law has created much discussion throughout the country; a referendum is now being taken by the Chamber on the merits of this bill.

The Attorney General has decided that requirements as to life saving equipment and the manning of such equipment does not apply to foreign vessels owned in countries with whom the United States still has reciprocity treaties. Our ships are thus further placed under a heavy handicap.

The Present Congress

It is the full intent and purpose of your committee to advocate adherence in all respects to the recommendations made in last year's report of the merchant marine committee in so far as was approved and endorsed by referendum No. 9, and which presents in our opinion the best plan for upbuilding American shipping.

Congress has again convened, and the Government is still proposing, with some changes, again to advocate legislation along the same lines as last winter, and has only partly abandoned the plan of Government operation.

Your committee recognize they should not condemn any bill which will afford us even slight relief, and that they should give just, fair and careful consideration to the government measure, and have endeavored to approach the contemplated legislation along these lines, expressing approval of such portions of the measure as they deem for the country's interest, and only condemning proposals that do not appear to meet these requirements.

We fully realize that members of the Administration and those in the Senate and House who advocate the bill are doing so in good faith, and therefore we are not criticizing men, but principles, but it will be unfortunate if the commercial organizations of the country and the Government do not join hands in shaping legislation which would be generally approved.

The New Bill

It is proposed to establish a shipping board composed of the Secretary of the Navy, the Secretary of Commerce and three Commissioners to be appointed by the President.

This Chamber is committed to the advocacy of a shipping board. Consequently the composition of the Board is the only point at controversy. It is the sense of the committee that the shipping board should be non-partisan, chosen with especial reference to the peculiar qualifications of its members, based upon their knowledge of maritime affairs, and that the Secretary of Commerce and the Secretary of the Navy should not be ex-officio members. Their membership would necessarily cause the complexion of the board to become somewhat political, which we believe would be extremely detrimental.

We further suggest that it should not be made a condition precedent that the President may authorize the detail of officers of the military and naval service of the United States for duties in connection with the shipping board, but rather that the detail of such officers should be by request, or the approval of the board, as it seems inadvisable at any time to allow the Military branch of the service of the Government to be in a position to control or attempt to dictate to the civil branch.

The people are looking for a commercial measure, and in the interest of business we must protest against any attempt to make naval requirements the first consideration.

The Bill authorizes the shipping board to construct vessels in American shipyards, Navy yards or elsewhere, or to purchase or charter vessels to meet the commercial necessities of the United States suitable for naval requirements, having in view and giving authority to the Board to charter, lease, sell or recharter such vessels to citizens or corporations to be used in trading with foreign countries or with American dependencies, and for this purpose fifty million dollars is provided by the issue of Panama Canal Bonds.

The committee does not find that the chartering, leasing or selling of vessels to corporations, firms or individuals, a citizen or citizens of the United States, is limited in the case of corporations to those corporations a majority of whose stock is held and owned by American citizens.

The committee finds that the bill does not clearly state that the purpose and intent is primarily to establish lines to South America and other foreign countries and to our own dependencies within the discretion of the Board as may best serve the commercial interest of the country, and that it is proposed to do this under private operation.

The chartering or leasing or selling of steamers for general cargo necessities should be a matter of special consideration. It is certain that the number of ships that could be secured under the appropriation will not be sufficient to provide many steamers for merchant requirements, and also create mail and freight lines, and the American people are unquestionably seriously impressed with the importance of establishing these lines at once, and unless this is done we will be as badly off after the war is over as we were previously, and forced to depend largely on the carrying of our freight by foreign corporations.

The bill further provides that the board created, if in its judgment such action is necessary, may form a corporation or corporations with such amount of capital stock as the board may prescribe to purchase, construct, equip, maintain and operate merchant vessels to foreign countries and our dependencies, and to charter or lease steamers,

and may purchase not less than a majority of the capital stock of such corporation or corporations and can sell at any time the stock which the United States holds, with the approval of the President.

Government Operation

The provisions of section 8 of the bill undoubtedly mean Government ownership combined with operation. The public are presumably invited to join in forming the corporations, but as it also is proposed that the United States shall have the first lien on all the property of any corporation formed, and hold a majority of the stock, it does not appear at all likely that American citizens or corporations will care to enter into a partnership of this character with the Government, and we may safely assume, therefore, that the Government will have to take up the entire stock of all corporations formed.

The active management of the corporation we presume will be determined by the Board, but even if operation should rest presumably in private hands, unquestionably the control would remain with the Board, which practically means Government operation.

The Board with the approval of the President may sell the Government stock in any corporation formed, which by inference leads to the supposition that if American capital did join with the Government they could perhaps acquire in due course by purchase the Government share in the venture, or buy the entire stock of the corporation if held by the Government, thus retiring the Government from business, but the public will hardly be impressed with these possibilities, and if a corporation is operated at a loss our citizens will hardly care to take over the venture, or purchase the entire stock of a losing corporation, and if the Government should be operating at a profit, it would be a question of grave doubt whether the Board would care to authorize the sale of the United States' stock in a successful corporation.

Proposed Uses of Vessels

Gentlemen prominent in the Administration have stated that we should start promptly lines to Brazil, Uruguay and Argentina, South America, touching at the important ports of these countries, to Colombia, Ecuador, Peru and Chile and along the West coast of South America, to the Orient, touching at Honolulu, and to the leading ports in Japan, China and the Philippines, and we presume it is also intended to take in Australasia, South Africa and India, etc. This would mean the establishment of ten to twelve lines at least, and would utilize more steamers than could be built if the entire fifty millions appropriated is given over for that purpose.

It has also been stated that a mobile fleet is desired to care for our cotton growers, our timber merchants in the south and on the west coast, and to protect our grain dealers on the east and west coasts.

The most expert testimony which we have been able to obtain warrants the statement that fifty millions is not likely to give more than fifty to sixty vessels of the size and type clearly essential and adaptable for the establishment of lines mentioned, and should the shipping board, under pressure from the Navy Department, require these vessels to be built of a type and of a higher speed than the

proposed trade routes warrant, the cost would be proportionately enhanced, the carrying capacity diminished, and even this number might not be secured.

The recommendations of the Navy Department as to the type of vessels they need will clearly show that there is great danger to be expected if we should build to any extent along the lines of their suggestions.

The Committee's Point of View

In view of these facts it is very clear to your committee, and we believe is to all who have studied this issue, that the Government proposal will not be a satisfactory measure to accomplish what is essential, and that if fifty millions of Government money is to be used, it should be so employed as to attract and make possible the securing of many hundreds of millions of dollars of the people's money which we believe would go into shipping if they were satisfied of the Government's sympathy, co-operation and protection, thus insuring permanent, comprehensive and continuous upbuilding of our commerce.

The American people have never been called upon to carry out any policy for the nation's good without responding, and they would do so unquestionably in this instance if the Government does not shut the door of opportunity in their face.

The Bill authorizes the President of the United States to transfer to the shipping board Naval auxiliaries belonging to the Naval establishment, vessels belonging to the War Department suitable for commercial purposes, and not required in time of peace, and vessels now owned and operated by the Panama Railroad Co. and not required in the business of such company—also authority is conferred to charter, lease or sell such vessels to citizen or citizens of the United States desiring to use them in the transportation of the commerce of the United States with foreign countries and our dependencies, and that such vessels shall not be sold, leased, chartered, or rechartered without the consent and approval of the Board.

It is doubtful to what extent, owing to their construction, these vessels will be available for commerce, but in view of the current enormous rates of freight, they should undoubtedly be of value to our citizens at present, and for the duration of the war, and your committee approve fully of this provision of the bill.

The Government proposes that the shipping board shall have the power and authority to regulate the operation of all corporations, firms or individuals engaged in the transportation of passengers and property between the United States and foreign countries and between the United States and its possessions and to prescribe just and reasonable rates.

The Board is given power to investigate navigation laws, and to gather general information, reporting to the President from time to time, and after January 1st, 1917, firms, corporations or individuals engaged in business as stated must secure from the Board a license to operate, and the Board has authority to direct and promulgate the necessary rules and regulations.

Referendum No. 9 of the Chamber distinctly approves and endorses proposals in two previous paragraphs, but it should be made entirely clear that the Government Bill covers both United States and foreign lines, as was voted in our referendum. It would be clearly unjust to require

supervision and license for American ownership in deep sea business without similarly regulating foreign corporations.

The bill states that vessels constructed in American shipyards and Navy Yards may be chartered, leased or sold to any corporation, firm or individual, citizen or citizens of the United States for use in the coastwise trade of the United States, particularly the trade between the Atlantic, Gulf and Pacific Coasts, further providing that the Board may control operations between the territories and possessions of the United States, and between ports of the United States, thus supervising coastwise trade, having authority as well to investigate the conduct of firms and corporations engaged in trading between our ports and providing for license of such vessels.

The coastwise business was not covered in our last report, and the committee's function being specially to deal with trade between the United States and foreign countries and our dependencies, referendum No. 9 being sent out along these lines, therefore the committee make no definite statement of views on this section of the bill.

Preferential Rates

The bill provides for preferential rates for shipments from inland sections of the country to seaboard, by rail or water route, and for specific sailings, and the granting of through B/L, the goods so exported only to be shipped in American vessels. It is perhaps the view of those proposing to legislate in this way that we should follow the German idea or policy of development of foreign trade, but it is so difficult to know to what extent it may or may not be successful in this country, that it is impossible for your committee to determine whether what has been done abroad under different forms of government and State ownership of railroads will be equally wise to adopt in the United States. The policy suggested has in it possibilities of great advantage, but also of considerable evil if not carefully guarded against, and there is an opening for the Government to unknowingly create a condition of great inequality and discrimination, as for many years a large percentage of our goods will still be carried in alien vessels, making it impossible for all shippers to promptly avail of any such privilege, and the committee therefore feel it is lacking in sufficient information to form a definite opinion upon the propriety of such action, and that in any event the Government should only decide on such an important matter after the most careful consideration and investigation.

It is the view of your committee that the Government under no circumstances is justified in imposing any law covering our shipping that does not take into consideration the active co-operation of private American capital, combined with Government assistance, and in our judgment no bill so drawn will be a success and acceptable to the people of the United States.

Auxiliary Naval Reserve

It is proposed that the Secretary of the Navy, with the approval of the Board, may list American vessels as a part of the United States Naval Auxiliary Reserve, and that the officers and crew, if American citizens, may volunteer as members of such service, and shall be paid annually a sum fixed by the Board. There cannot be any difference of opinion as to the wisdom of such action, and the committee en-

dorses the building up of a Naval Reserve, and would suggest that such a Board should be given even fuller powers along these lines. All vessels secured under the bill are very properly subject to the call of the Government at any time.

Foreign Conditions

The French Government, it is officially stated, proposes to appropriate twenty millions of dollars to buy vessels with a view to safeguarding as far as possible their commerce during and after the war. The money will be loaned at low rate of interest to merchants who are willing to secure and operate the vessels, to be repaid at such time as may be fixed after peace is concluded. It will thus be seen that while they recognize the inability of their merchants to protect themselves under present world conditions they also appreciate the fact that Government operation is unwise and they leave the handling of the ships to French citizens. An ingenious plan has also been suggested by the French, as they clearly see the importance of having adequate commercial tonnage for their needs, and they invite the cooperation of England with the other allies to pool their issues so far as ships are concerned after the war is over, and the entire shipping available to be used for the protection of the commerce of the allies. It is hardly likely that Great Britain will be agreeable to relinquish her commanding position, and the enormous profits she may be able to make, even for the sake of her present friend, but it shows how carefully this question is being studied abroad.

We would also point out the uncertainty of the position of the German commercial fleets when the war closes. Lord Northcliffe states: "the main policy of Great Britain is first to keep German ships off the sea, so long as a single German soldier remains in Allied territory, and so long as an indemnity to Belgium, France and Russia is unpaid." It is proposed to hold under some plan the five to six million tons of German merchant ships interned, and those built during the war, as hostage to pay any indemnity should the Allies win, or to utilize this great amount of tonnage in control of Great Britain so that she would reap the benefits under arrangements we presume with the Allies, an understanding being reached as to profits, the final disposition of the ships to also be subject to peace terms.

American Construction

It is well known that our shipbuilding yards are unable to take further contracts for new work, having orders ahead for at least two years, and that we can expect no help from foreign yards at present, or even for a considerable time after the war. Building cost has also advanced about 50%.

We are congratulating ourselves that the tonnage being built is so large, aggregating over 700,000 tons, and much has been made of these facts, but we must remember that this takes in practically two years' work at full capacity for the yards, and again there are large quantities of ships being built for special requirements, which will not be available for general purposes. There are some forty to fifty tank steamers alone, besides many coastal vessels, strictly passenger vessels, etc., so that probably not more than 25 to 30% of the total can justifiably be considered deep sea steamers.

(Concluded on page 84)

Cooperating With the Federal Trade Commission

Report of the Chamber's Committee*

THE Federal Trade Committee was appointed in obedience to the following resolution passed at the final session of the Third Annual Meeting of this Chamber in February, 1915.

We appreciate the magnitude of the task committed to the Federal Trade Commission, the benefits that may result from hearty cooperation between the Commission and the commercial interests of the country and the certain detriment sure to arise from an attitude of indifference or opposition.

We cordially approve the suggestion of President Fahey to appoint a committee to carry this spirit of cooperation into effect and we express the hope that this voluntary committee representing the business interests of the country may come to occupy a relationship toward this Commission not unlike that providing for the Advisory Council under the Federal Reserve Act.

Immediately following its appointment the Committee assembled in Washington to complete its organization and to define its preliminary purposes.

Two weeks later it held its first meeting with the Federal Trade Commission, at which time a very frank discussion was had concerning the purpose of the Chamber of Commerce in creating this voluntary Advisory Committee.

As a result of this meeting there was established a relationship between the Commission and your Committee which has increased in cordiality as the months have passed.

Your Committee occupies a singularly delicate position, having no authority for its existence in the law and no relationship to the Federal Trade Commission except that which the Commission may create out of its good will toward the Chamber of Commerce of the United States.

The Committee has therefore judged its task to be preparedness for active service rather than aggressive effort to insert itself into the work of the Commission.

Relations With Federal Trade Commission

To this end the Committee as a whole and in sub-committees has met with the Federal Trade Commission as often as opportunity offered or occasion required, has kept in close touch with the work of the Commission and attended many of the hearings in Washington and elsewhere. Through the courtesy of the Commission, it has received through its secretary digests of the many hearings which various interests have been accorded and is fully prepared to become active whenever the Commission shall give indication that it desires active cooperation, or whenever it becomes evident that the time is ripe for independent action in the interest of general business.

* Harry A. Wheeler, Chairman; R. C. Butler, J. P. Cotton, A. B. Koch, W. L. Saunders, H. R. Seager, A. W. Smith, Guy E. Tripp, and I. C. White. Presented on Feb. 9 before the Fourth Annual Meeting.

Bulletins of News About the Commission

For the purpose of keeping members of the Chamber informed, five Federal Trade Commission Bulletins have been issued dealing with the activities of the Commission.

In September, 1915, a meeting of the Committee was held in New York City, at which consideration was given to the relationship which it might be expected would be established between the Department of Justice and the Federal Trade Commission at points where jurisdiction seems to overlap, and also to the probable attitude of the Department of Justice with respect to future prosecutions under the Anti-trust Laws. It was thereupon determined to seek a conference with the Department of Justice, the initial conference taking place in October and resulting in other conferences during the following two and one-half months, the final one being on the seventh of January of this year. It was explained to the Attorney General by representatives of the Committee that if he would express himself it might be regarded as reassuring to the public mind and at the same time dispel some of the uncertainty which heretofore has been said to exist.

Four points were then taken up:

(1) The complaint that the law is uncertain; (2) The policy of the Department of Justice as regards the method of enforcing the law in admittedly doubtful cases; (3) The means adopted by the Department to guard against unjust prosecutions; (4) The policy of the Department in cases where it and the Federal Trade Commission are both charged with the enforcement of the law.

Statement of the Attorney General

Concerning the first point, the Attorney General stated that whilst concededly there is in the law of restraint of trade an area of doubt, in the vast majority of cases it is not difficult to tell whether a proposed transaction is or is not in violation of the statute, and the doubt is certainly no greater than that which is accepted as a matter of course in the application of other laws. Such doubt as there is, he further stated, will be greatly reduced by decisions in the Shipping Pool Case, and Anthracite Coal Cases, the Harvester Case, the Steel Case and the United Shoe Machinery Case.

This led to the question as to the policy of the Department as regards the method of enforcing the law in those cases which are admittedly doubtful. On that point the Attorney General stated that where men have entered into a transaction believing in good faith that the transaction is



©Harris & Ewing

Harry A. Wheeler, Chairman of the Chamber's Federal Trade Committee

a lawful one, and subsequently upon complaint made the Department reaches the conclusion that the transaction was not in accordance with the statute but is yet satisfied of the good faith and innocent purpose of the parties and can see that there was ground for the view of the law upon which they acted, it has not been and would not be the policy of the Department to invoke extreme penalties against them. In such a case the Department would consider that the just and appropriate and quickest way of enforcing the law would be by a civil proceeding in which the question involved could be contested or a consent decree entered, according as the defendants desired, or by a notice to the parties of the Department's conclusion with opportunity to abandon or modify the transaction. The discussion then turned to the measures taken by the Department to guard against prosecutions for which there is no ground. On this point the Attorney General stated that no proceeding is ever instituted until after the most painstaking and exhaustive investigation of the facts which it is possible to make. As a part of this inquiry, the person or corporation against whom complaint is made, unless it has already declared its attitude, is given full opportunity to submit its defense before any action is taken. This is done, he pointed out, not only as a matter of justice to those against whom complaints are made, but as a matter of prudence on the part of the Department, for least of all has the Department any interest in instituting a suit which should subsequently turn out to be without foundation.

In this connection the attention of the Attorney General was called to paragraph E of Section 6 of the Federal Trade Commission Law which authorizes the Commission "upon application of the Attorney General to investigate and to make recommendations for the readjustment of the business of any corporation alleged to be violating the Anti-Trust Acts, in order that the corporation may thereafter maintain its organization, management and conduct of business in accordance with law;" and he was asked whether he could state what the policy of the Department of Justice would be with regard to invoking that provision. He replied that whilst he felt certain that this would prove to be a most serviceable provision in solving practical questions which often arise in the enforcement of the Anti-Trust Laws, it was as yet too early, in his judgment, to attempt to particularize as to the cases in which the Department of Justice should call upon the Trade Commission for assistance under this provision. Speaking generally, he

stated that he did not understand that the provision contemplated that he should refer to the Commission the question whether the law had been violated in a given case, but rather questions of the feasibility, adequacy or advisability of proposed remedies from a practical standpoint. Where questions of the latter sort do not arise, or where they arise in form which presents no difficulty, no purpose would be served, of course, by having the parties go over the same ground before the Commission that had already been gone over before the Department.

As to its policy in cases where both the Department and the Federal Trade Commission are charged with the enforcement of the law, as under the Clayton Act, the Attorney General stated that the Department would, in general, be guided by the principle which governs the Federal and the State courts in cases where they have concurrent jurisdiction. That is to say, in any such case if the Federal Trade Commission were the first to exercise jurisdiction, the Department of Justice would await the conclusion of the Commission's proceedings before taking any action, unless special circumstances should dictate a different course.

Suggestion by the Committee

While the significance of this statement on the part of the Attorney General may not be clear to the lay mind, it will, as the substance of the statement is analyzed more closely, provide a new point of departure from which to consider probable prosecutions under the Anti-Trust Laws.

Your Committee still believes more firmly than it did a year ago in the wisdom of creating advisory committees to Federal Commissions; calls attention to the fact that independent and sympathetic cooperation will remove many obstacles likely to arise between business and Government. Such an advisory committee, whether clothed with powers under the law, as in the case of the Federal Advisory Council or acting in a purely voluntary capacity as in the case of your Committee, should not be judged by its aggressive activity but rather by its ability to exert quietly repressive influence within the field of its responsibility. Neither can such a committee make public many of its activities without endangering much of its influence, for it occupies a confidential relationship and must subordinate its operations to the operations of the Commission with which it is co-operating.

For the Federal Trade Committee,

HARRY A. WHEELER, *Chairman.*

Explanatory Remarks by Mr. Wheeler on the Report of His Committee

AS related to the subject matter of this report, but not in any sense a part of it, I feel inclined to ask your indulgence for a very few minutes to emphasize two points which will bear a little more of impartial analysis than we are inclined to accord them.

The first has to do with the complaints which have become increasingly numerous as to the doubt and uncertainty which exists in interpreting the anti-trust laws.

That there is a twilight zone, a realm or area of doubt, as applied to present or proposed operations of certain large interests which our industrial development of recent years has produced is not to be denied. The Attorney General has frankly admitted this in the statement which I have

just read but he has also called attention to the fact that practically all of the laws and especially those which deal with complex phases of our industrial life are subject to the same criticism when effort is made to apply them to specific cases.

The inadvisability of attempting to define or catalogue too closely those acts which are in violation of any law lest it only serve to restrict the scope of the law and create greater confusion and uncertainty has been illustrated so often as to make repetition a waste of time. We are forced to choose either to put upon the Courts the whole burden of determining the validity of our commercial processes, or entrust the primary interpretation or enforcement of

those laws affecting commerce to some supervising federal agency whose powers may be amended as experience suggests and whose operation may have greater flexibility than is possible with a legislative body.

As to the "Area of Doubt"

Now, admitting that the area of doubt honestly applies to certain business situations, shall we not be fair enough to admit that, in a very large number of other situations, it is really not the element of doubt that exists so much as the desire to be permitted to do that which the law expressly prohibits?

I am free to express the belief that there is less of doubt than the public generally believes and the fact that we are not going to be given permission to do those things which are distinctly contrary to the law is no reflection upon the anti-trust laws as they rest upon our statute books today, nor upon the Department of Justice, nor upon the Federal Trade Commission.

If the laws are not definite enough or flexible enough, then it is our business as citizens having representation in Congress to have them so amended that they will meet the requirements of business. As matters stand we cannot justly ask or reasonably expect these agencies of the federal government to wink at our desire to do that which is contrary to the letter or the spirit of the law which they have sworn to uphold and enforce nor to desist in their prosecutions thereunder.

So far as the statement of the Attorney General is concerned he has given us a rather broad and liberal interpretation of his position. As I read the language it differentiates clearly between the ground for criminal procedure and civil procedure and I commend to a careful reading that part of the statement which relates to prosecution on admittedly doubtful cases.

I submit that little more can be said. If the law is unnecessarily restrictive then through the proper channels which the people control let it be amended or repealed but, while it is the law, let it be enforced with the concurrence of business as befits a law-abiding patriotic and reasonable citizenship.

I have in one case recently been made aware of an effort upon the part of a group of men engaged in a certain trade to gain consent from the federal authorities to a form of combination or cooperation clearly in violation of the law of restraint of trade. When it was pointed out to them how they might cooperate legitimately and the cooperation was predicated upon confidence in each other and in open-handed dealings they failed to agree upon the legitimate method and lost an opportunity to pioneer a field of co-operative effort which might have become a model for many another business.

These same men are doubtless today complaining bitterly

as in the past of the uncertainty of the law,—an illustration of what I have been trying to set forth, namely, that in a very large number of business situations it is not doubt as to the provisions of the law but a desire to do that which is unlawful.

Civil prosecution business may not escape if complaint is made on admittedly doubtful points but criminal prosecution is unlikely under the statement of the Attorney General if the conditions precedent are as stated in the report of the Committee.

Magnitude of the Trade Commission's Task

My second point has to do with the Federal Trade Commission. It has been said from time to time that the Commission is finding its way very slowly into its activities. I hold no brief for the Federal Trade Commission nor do they need any defense from me but I am more than glad to commend their conservatism and their evident appreciation of the magnitude of the task committed to them.

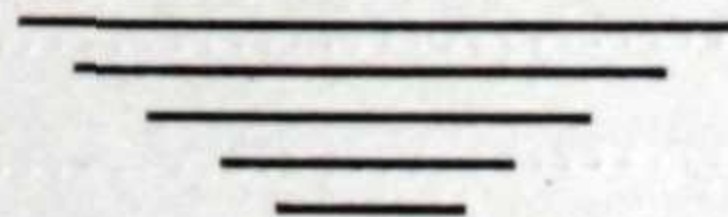
The Interstate Commerce Commission furnished a good example of how slowly developed powers and activities made for safe administration.

The Federal Reserve Board has proceeded with its task with great wisdom, caution and moderation and so should every commission having to do with the great fundamental activities of the nation.

The Federal Trade Commission has done one especially wise thing. It has visited all sections of the United States and has conferred with business men of all classes. It has endeavored to observe business conditions and business requirements at close range and is now back in Washington engaged in developing its activities along lines of common sense, with a real comprehension of the needs of business and with an equal appreciation of its duty to the general public whenever repressive influences are necessary to make the activities of business square with public welfare.

What Great Government Commissions May Do

Safety to business requires that these great commissions—the Interstate Commerce Commission, the Federal Trade Commission, the Federal Reserve Board—and the Commissions that we hope shall follow, such as the Tariff Commission and the Shipping Board, will for themselves deliberately and seriously enter upon a study of the task committed to them, and not endeavor, through sudden activities, to gain the public favor by declaring hastily the things that they are empowered to do or the things that they have determined to do, but rather soberly studying the need of this nation in all of its commercial factors and safeguarding all of those forces which lie underneath our national prosperity. Such commissions must only be of value to the nation, and commissions operating upon any other line would unfortunately be very detrimental to the interests of our country.



The Need of a National Budget

Report of the National Chamber's Committee*

YOUR committee reports as follows: It was appointed under authority of the Board of Directors on March 17, 1915, for the purpose of "making the action of the Chamber, as a result of the referendum, effective by taking up with the President of the United States the question of the National Budget."

On May 26, 1915, your committee, consisting of Mr. R. G. Rhett, of Charleston, Chairman; Dr. Frank J. Goodnow, of Baltimore, and Mr. Harvey S. Chase, of Boston, accompanied by Secretary Goodwin, conferred with the President of the United States at the White House by appointment, and found him heartily in accord with the Chamber on the subject of a national budget. In fact a conference had been arranged by him with some of the leaders of Congress with a view of discussing the most practical method of adopting such a system. This conference was held, but more pressing matters have for the time pushed the consideration of this question to the rear.

In the meantime your committee has endeavored to have the views of the business men of the country on this subject as manifested through referendum expressed as often and emphatically as possible in the press, with the hope that Congress would realize the importance of the subject. It

is not easy to change procedure established by long usage and in this lies one of the principal obstacles. The problem is, however, engaging the attention of many strong men in Congress and in time a solution will be found.

Since the conference, your committee has further assisted in emphasizing the necessity of the national budget, by having prepared, through one of its members, Mr. Chase, a tabulation, which is submitted herewith for publication, exhibiting the "estimates" of expenditures of the National Government for three years in forms classified functionally, which offer opportunities for comparisons of the proposed expenditures for various purposes of government during the last fiscal year, 1914-15; the current fiscal year, 1915-16; and the coming fiscal year, 1916-17. These classifications include all of the thousands of items in the "Book of Estimates" for each of these fiscal years. These items, presented to Congress annually, have been analyzed and reclassified according to purposes of expenditure—functions of government—and summarized as presented in the accompanying tables.

For the Committee on the National Budget,

R. G. RHETT, *Chairman.*

THE NATIONAL BUDGET On its "Expenditure" Side Classified by Functions of Government

Based on the "Estimates" submitted to Congress by the Departments and Offices
for the Last Fiscal Year ended June 30, 1915; for the Current Fiscal Year ending June 30, 1916;
and for the New Fiscal Year ending June 30, 1917

A. Estimates for "War," or "National Defense," Functions

FOR PRESENT-DAY NATIONAL DEFENSE:	Last Fiscal Year 1914-15	Current Fiscal Year 1915-16	Coming Fiscal Year 1916-17
<i>Current Charges. Annual Appropriations</i> ⁽¹⁾			
Defense by Land (Military)	\$114,628,910	\$109,390,924	\$180,071,410
Administration: Secretary of War	148,040	146,440	148,370
Adjutant-General's Office	730,570	724,870	724,870
Quartermaster's Corps	378,670	376,620	373,520
Engineers and Insular Offices	208,581	206,290	192,840
Other Offices, War Department	456,598	453,878	405,240
Defense by Sea (Naval)	140,802,040	141,801,281	213,737,550
Administration: Secretary of the Navy	76,460	83,580	83,050
Bureaus: Navigation, Intelligence, Records	108,790	110,790	152,400
Engineering, Repairs, Yards, Docks	106,430	128,430	138,640
Supplies, Accounts, and Other Offices	304,660	273,740	553,230
State, War and Navy Building, 2-3 of Operation and Maintenance ⁽²⁾	190,013	113,227	127,300
Totals for Current National Defense	\$258,139,762	\$253,900,070	\$396,708,420
<i>FOR COSTS AT PRESENT OF PREVIOUS WARS:</i>			
<i>Current Charges. Annual Appropriations</i>			
War Pensions, Retirements, Veterans' Homes, etc.	186,697,951	184,002,256	178,120,693
Totals for Current Charges, Annual Appropriations	\$444,837,713	\$437,902,326	\$574,829,113
<i>Fixed Charges. Permanent Appropriations</i> ⁽¹⁾			
Interest on War Debts ⁽¹⁾	13,000,000	13,000,000	13,000,000
Sinking-Fund Provisions for War Debts ⁽²⁾	37,000,000	37,000,000	37,000,000
Trust Funds, established by War Requirements	2,770,000	2,730,000	2,875,000
Special Funds and Accounts for War Purposes	5,574,477	5,439,477	5,761,117
Grand Totals for War Functions	\$503,182,190	\$496,071,803	\$633,465,230
Deduct: "Sinking-Funds" ⁽³⁾	37,000,000	37,000,000	37,000,000
Total Estimates for Proposed Actual Expenditures for "War" Functions ..	\$466,182,190	\$459,071,803	\$596,465,230

* The Committee consists of R. G. Rhett, Chairman; Dr. Frank J. Goodman and Harvey S. Chase. Presented Feb. 9, at the Fourth Annual Meeting.

B. Estimates for "Peace." Civil, Social, and Economic Functions

<i>Current Charges. Annual Appropriations (1)</i>	Last Fiscal Year 1914-15	Current Fiscal Year 1915-16	Coming Fiscal Year 1916-17
I. Natural Resources, Agriculture, etc.			
1. Promotion of Agriculture (4)	\$ 8,999,117	\$ 10,569,305	\$ 14,755,229
2. Promotion of Mining, Topography, Regulation of Water Power, etc.	2,284,520	2,348,230	2,560,330
3. Promotion of Forestry	5,868,331	5,853,256	5,668,306
4. Promotion of Fisheries	1,411,630	1,299,484	1,473,950
5. Care and Utilization of Public Lands	3,194,920	3,098,824	3,143,296
6. Meteorological Research, Weather Bureau	1,670,270	1,703,750	1,798,610
7. Statistical Research, Census, etc.	1,709,720	4,342,540	1,328,160
8. Reclamation of Arid Lands .....	.....	.....	8,938,000
II. Commerce, Banking, etc.			
1. Regulation of Currency, Coinage, etc.	5,862,452	6,213,874	6,771,175
2. Promotion and Regulation of Commerce	3,578,305	3,406,585	8,708,778
3. Regulations of Standards of Measurements	1,232,175	1,037,355	1,195,775
4. Promotion of Transportation: (4)			
Improvements of Rivers and Harbors	41,483,895	53,387,223	45,844,459
Lighthouses, Life Saving, Roads, Surveys	15,163,704	14,963,057	9,486,348
Panama Canal (8)	23,775,155	16,941,637	19,301,369
Construction and Operation of Railroads in Alaska .....	.....	.....	8,247,620
Coast Guard .....	.....	.....	5,471,800
5. Regulation of Banking	194,240	216,740	173,440
6. Regulation of Patents and Copyrights	1,626,300	1,584,050	1,647,750
III. Welfare, Labor, etc.			
1. Promotion of Public Health (4)	4,191,762	4,425,188	3,648,653
2. Promotion of Education and Recreation (4)	2,620,390	2,299,500	3,602,670
3. Promotion of the Welfare of Labor (5)	4,880,450	4,368,150	3,762,811
4. For Indians and Wards of Nation (4)	10,931,115	10,155,013	11,811,587
5. For Defectives, Dependents, etc.	2,020,349	1,469,356	889,230
IV. Foreign Affairs (4)	4,397,970	4,562,810	5,393,357
V. Departmental Administration.			
1. Administration; Department of State	354,060	378,580	525,600
2. Administration; Department of Interior	634,040	635,850	630,050
3. Administration; Department of Agriculture	765,988	896,287	825,583
4. Administration; Department of Commerce	252,160	300,220	315,060
5. Administration; Department of Labor	183,040	165,060	170,600
6. (1-3) State, War, and Navy Building (2)	95,007	56,613	52,840
	<u>\$149,381,065</u>	<u>\$156,678,537</u>	<u>\$178,151,436</u>
<i>Fixed Charges. Permanent Appropriations (1)</i>			
I. Interest on Bonds, other than for War	\$ 9,900,000	\$ 9,970,000	\$ 10,300,000
II. Sinking-Fund Provisions for other than War (3)	23,717,000	23,723,000	23,727,000
III. Trust Funds Provisions for other than War	7,772,730	7,638,500	6,945,000
IV. Special Funds and Accounts.			
1. Promotion of Agriculture:			
Co-operative Agricultural Extension Work .....	.....	1,080,000	1,580,000
Reclamation of Arid Lands	9,000,000	9,000,000	.....
Colleges of Agriculture and Mechanic Arts	2,500,000	2,500,000	2,500,000
Experiment Stations, etc.	48,200	71,000	.....
2. Promotion of Transportation Facilities:			
Operating Canals	2,000,000	2,000,000	2,000,000
Protection of Navigable Streams	2,000,000	100,000	100,000
River and Harbor Improvements	679,600	1,774,600	1,774,600
Roads and Trails	420,000	412,400	170,000
3. Medium of Exchange:			
National Currency, Contingent Expenses	280,000	280,000	280,000
4. Promotion of Public Health: Meat Inspection	3,000,000	3,000,000	3,000,000
5. Promotion of Education, Recreation, etc.:			
National Forest Fund	600,000	600,000	974,000
2, 3, and 5 per cent. Funds to States	225,000	125,000	125,000
Maintenance National Parks, etc.	125,000	100,000	100,000
Public Schools, Territories	100,000	95,000	50,000
Education of Blind, etc.	11,000	10,000	10,000
6. Care of Indians: Civilization of the Sioux	800,000	600,000	600,000
7. Care of Defectives, Indigent, Alaska	25,000	25,000	25,000
8. Foreign Affairs:			
Pay of Consular Officers, Vessels, etc.	65,000	70,000	70,000
Totals of Special Funds and Accounts	<u>\$ 21,878,800</u>	<u>\$ 21,813,000</u>	<u>\$ 13,358,600</u>
V. Other "Social and Economic" Functions	381,500	176,230	152,056
Totals for Peace Functions (except Postal)	<u>\$213,031,095</u>	<u>\$220,020,267</u>	<u>\$232,635,092</u>
Deduct "Sinking-Fund" (3)	23,717,000	23,723,000	23,727,000
Totals, less Sinking Fund, for "Peace"	<u>\$189,314,095</u>	<u>\$196,306,267</u>	<u>\$208,908,092</u>

C. Expenditures for Post Office Functions

<i>Estimates for Postal Service</i>			
1. Postal Service, Payable from Postal Revenues	\$306,053,117	\$297,255,164	\$316,364,879
2. Administration of Postmaster-General's Department	1,850,000	1,820,695	1,770,460
3. Operation and Maintenance of Post Offices, etc. (2) .....	.....	.....	.....
<i>Fixed Charges. Permanent Appropriations</i>			
Deficiency in Postal Revenues .....	.....	.....	8,000,000
Totals for Postal Service	<u>\$308,803,117</u>	<u>\$299,175,859</u>	<u>\$326,135,339</u>

D. Expenditures for General Governmental Functions
Covering Requirements both for Purposes of War and for Purposes of Peace

	Last Fiscal Year 1914-15	Current Fiscal Year 1915-16	Coming Fiscal Year 1916-17
LEGISLATIVE, EXECUTIVE, JUDICIAL, ETC.:			
<i>Current Charges. Annual Appropriations ⁽¹⁾</i>			
I. Legislative.			
The United States Senate	\$ 1,857,787	\$ 1,863,217	\$ 1,840,708
The House of Representatives	4,956,985	5,020,977	4,973,762
II. Executive.			
The President, Vice-President and the Executive Offices	210,440	211,840	213,780
Civil Service Commission	455,165	466,085	454,045
Collection of the Revenues, etc.—Treasury	17,372,650	17,084,460	18,240,280
General Accounting and Auditing—Treasury	1,752,080	1,765,930	1,762,370
Operation and Maintenance of Public Buildings and Grounds ⁽²⁾	8,098,412	7,345,354	8,661,132
Construction and Improvement of Buildings and Grounds	6,302,584	2,130,525	9,471,004
Public Printing, all Departments ⁽³⁾	6,022,408	5,100,885	5,150,960
General Supply Committee	65,640	42,090	48,680
Reference and Library Purposes	592,585	482,240	614,680
Distribution of Documents	318,275	329,765	324,395
Administration of Treasury Department	1,890,770	1,796,520	1,160,469
Administration of Department of Justice	777,711	622,143	613,290
Detection of Crimes, Legal Advice, etc. (Justice)	2,694,620	2,592,560	2,749,316
III. Judicial.			
The Supreme Court and Other Courts	6,299,110	6,453,380	7,716,440
<i>Fixed Charges. Permanent Appropriations ⁽¹⁾</i>			
Revenue Refunds, Drawbacks, etc.	8,470,000	8,490,500	12,473,500
Retired Judges, Hawaiian Judges, etc.	175,500	175,500	175,500
Revenue Collection, Night Services	225,000	200,000	200,000
Totals for General Governmental Functions	\$68,537,722	\$ 62,173,971	\$ 76,844,311

E. Expenditures for Local Governmental Functions

Territorial Governments	\$ 304,638	\$ 233,800	\$ 220,260
Philippine Customs and Internal Revenue	321,000	181,000	201,000
District of Columbia ⁽¹⁾	14,491,615	12,909,434	16,356,576
Militia, Industrial Schools, etc.	10,400	.....	.....
Totals for Local Governmental Functions	\$15,127,653	\$13,324,234	\$16,777,836

⁽¹⁾ These terms "annual" and "permanent" might be better stated "current" and "recurrent" as all appropriations are included in the estimates annually before Congress, even though the amount is not fixed (indefinite), or the time is not fixed (indeterminate).

⁽²⁾ Operation and maintenance expenses of office buildings, rents, etc., are mainly included in item in "operation and maintenance of public buildings" General Governmental Purposes, because these expenses cannot be separated, under present methods of bookkeeping.

⁽³⁾ Sinking-fund provisions are negligible; merely bookkeeping items having no actual existence.

⁽⁴⁾ See also additional estimates under "permanent appropriations."

⁽⁵⁾ Including Bureau of Naturalization, \$250,000 in 1914-15, and \$307,950 in 1915-16.

⁽⁶⁾ This amount should be distributed in detail to the various departments and divisions.

⁽⁷⁾ Approximately one-half of this is offset by District of Columbia revenues.

⁽⁸⁾ Panama Canal is included in "Peace" estimates although a good case can be made out for including it, or a large portion of its cost, under "War" estimates. In both years, however, certain fortification estimates are included under "War Functions."

THE NATIONAL BUDGET
On its "Expenditure" Side
Classified by Functions of Government

General Summary. Total Estimates

	Last Fiscal Year, 1914-15		
	Operation and Maintenance Expenses	Construction and Improvement Outlays	Total Estimated Expenditures
A. Totals for "War" Functions (National Defense) excluding Sinking-Fund Estimates ..	\$409,286,834	\$ 56,895,356	\$ 466,182,190
B. Totals for "Peace" Functions (Social and Economic) excluding Postal and Sinking-Fund Estimates	110,074,651	79,239,444	189,314,095
C. Totals for Postal Service	308,803,117	.....	308,803,117
D. Totals for General Governmental Functions	61,839,638	6,698,084	68,537,722
E. Totals for Local Governmental Functions	11,547,132	3,580,521	15,127,653
Grand Totals, all Purposes, except Sinking-Fund	\$901,551,372	\$146,413,405	\$1,047,964,777
"Sinking-Fund" Estimates, having no validity*	60,717,000	.....	60,717,000
Grand Totals, per "Book of Estimates"	\$962,268,372	\$146,413,405	\$1,108,681,777

	Current Fiscal Year, 1915-16		
	Operation and Maintenance Expenses	Construction and Improvement Outlays	Total Estimated Expenditures
A. Totals for "War" Functions (National Defense) excluding Sinking-Fund Estimates ..	\$397,204,573	\$ 61,867,230	\$459,071,803
B. Totals for "Peace" Functions (Social and Economic) excluding Postal and Sinking-Fund Estimates	123,806,137	72,500,130	196,306,267
C. Totals for Postal Service	299,175,859	.....	299,175,859
D. Totals for General Governmental Functions	59,760,946	2,413,025	62,173,971
E. Totals for Local Governmental Functions	10,751,495	2,572,739	13,324,234
Grand Totals, all Purposes, except Sinking-Fund	\$890,699,010	\$139,353,124	\$1,030,052,134
"Sinking-Fund" Estimates, having no validity*	60,723,000	.....	60,723,000
Grand Totals, per "Book of Estimates"	\$951,422,010	\$139,353,124	\$1,090,775,134

	Coming Fiscal Year, 1916-17		
	Operation and Maintenance Expenses	Construction and Improvement Outlays	Total Estimated Expenditures
A. Totals for "War" Functions (National Defense) excluding Sinking-Fund Estimates ..	\$ 454,060,323	\$142,404,907	\$ 596,465,230
B. Totals for "Peace" Functions (Social and Economic) excluding Postal and Sinking-Fund Estimates	132,271,270	76,636,822	208,908,092
C. Totals for Postal Service	326,135,339	.....	326,135,339
D. Totals for General Governmental Functions	66,390,807	10,453,504	76,844,311
E. Totals for Local Governmental Functions	12,315,344	4,462,492	16,777,836
Grand Totals, all Purposes, except Sinking-Fund	\$ 991,173,033	\$233,957,725	\$1,225,130,808
"Sinking-Fund" Estimates, having no validity*	60,727,000	.....	60,727,000
Grand Totals, per "Book of Estimates"	\$1,051,900,083	\$233,957,725	\$1,285,857,808

* Sinking-Fund Provisions are negligible; merely bookkeeping items having no actual existence. There are no securities and no cash in the so-called "Sinking-Fund."

Working With the Department of Commerce

Report of the Chamber's Committee*

THIS report of your Committee, on the Department of Commerce is limited to the activities of the Committee since your last annual convention.

At the first meeting of the full Committee in Washington, April 19th and 20th, 1915, various bureaus of the Department were visited. This gave opportunity for those men newly added to the committee to meet the controlling officials and to familiarize themselves with their needs and their problems.

But opinion, at this time, seemed to be general among the membership that no problem before us was of such immediate importance as the development of an adequate government service to co-operate with American business men, not alone to get, but to hold, an increased portion of the world's commerce. The sessions, then, in April were very largely devoted to an intimate study of the Bureau of Foreign and Domestic Commerce. What this Bureau was actually doing, what it could do with sufficient appropriations and proper organization, was the dominant interest, therefore, of our Committee at this time.

It was not enough for the Committee to feel that certain work, proposed by the officials of the Bureau or suggested by individual members of the Committee, was worth while. It had to be satisfied that there was a sufficient complement of capable men in the Bureau, or available to it, to do the work—and to do it well. Thus this became the final test before any proposal was embodied in the report.

Improving Our Commercial Service Abroad

At these early sessions a special subcommittee was elected for a more intensive study and consideration of certain phases of the problem. The subcommittee, working in co-operation with the executive officials of the National Chamber, presented to the full Committee in New York on June 28th additional data as a basis for the proposals in the final report. This followed the New York sessions. It was thereupon submitted to the Board of Directors and then ordered to referendum. The nine sections of the referendum were almost unanimously carried. Although the results of the referendum have come to you in many ways, still I should like to take sufficient time to refresh your memories by listing the specific proposals on which you voted:

THE WASHINGTON HEADQUARTERS OF THE BUREAU. An increase in staff and appropriations for administration, edi-

torial work, collecting and translating foreign tariffs, distributing information, research and translation, correspondence and handling files, supplies, etc. 875 in favor; 19 opposed.

THE FIELD SERVICE OF BUREAU GENERALLY. Appointment of a director of the field service and enlarged appropriations, with separate appropriations for collection and exploitation of samples, geographical experts at Washington, distribution of American literature abroad, adequacy in reimbursement for traveling expenses abroad, and allowances for living expenses abroad. 869 in favor; 18 opposed.

THE FIELD SERVICE OF BUREAU IN LATIN AMERICA. Increased appropriations for immediate and special investigations. 871 in favor; 24 opposed.

COMMERCIAL ATTACHES. Appointment of five new commercial attaches and distinction between attaches and trade commissioners. 848 in favor; 23 opposed.

TRADE COMMISSIONERS. Creation of the new position of trade commissioner and appointment of commissioners to at least six countries abroad. 860 in favor; 21 opposed.

DISTRICT OFFICES OF BUREAU. Continuance of the present eight branch offices under new appropriations. 847 in favor; 38 opposed.

CIVIL SERVICE IN BUREAU'S FIELD SERVICE. Appointment and promotion of members of the field service in accordance with the Civil Service Law. 872 in favor; 12 opposed.

THE CONSULAR SERVICE. Americanization, adequate clerical assistance, elevation of eleven consular agencies to consulates and establishment of fifteen consulates where there are now no American consular representatives of any sort, and more adequate and frequent inspection of consular offices. 877 in favor; 8 opposed.

STATISTICS OF INTERNAL COMMERCE. Renewal of the earlier publication of these statistics by the Bureau, with adequate appropriations. 866 in favor; 25 opposed.

Of more than passing interest was the fact that several recommendations in the report of the Committee were not agreed upon by its members until after warm discussions and eventual compromises, and a striking incident was that the recommendation, which in the Committee was most strongly opposed—by a minority of two members—was the recommendation that in the referendum proper actually received the greatest number of negative votes.



©Harris & Ewing

A. W. Shaw

Editor of "System" and Chairman of the National Chamber's Committee on the Department of Commerce.

* A. W. Shaw, Chairman; W. H. Cottingham, C. H. DeFosse, P. B. Fouke, E. O. Foulkes, E. F. Gay, C. C. Jenks, C. A. McCormick, A. H. Mulliken, L. W. Parker, C. M. Smyth, and A. A. Young. Presented February 8 at the Fourth Annual Meeting.

The Americanization of Our Alien Workmen

Report of the Chamber's Committee on Immigration*

THE Chamber of Commerce of the United States of America, in addition to its task of facilitating the organization of the commerce of the country, has also been addressing its attention to the question of immigration and the Americanization of our alien residents.

Questions of the terms upon which immigration will be resumed after the war, of conserving our present labor force, especially of unskilled workmen, and of the Americanization of the foreigners now here are all of paramount importance.

To facilitate the consideration of these matters and secure an intelligent public opinion thereon, an Immigration Committee was appointed early in December, so this report covers about two months work.

The preliminary work of this new Committee as outlined, includes the following program:

(1) The preparation of a Service Bulletin, with suggestive programs of work to include community immigration surveys by Chambers of Commerce so that constructive campaigns to secure the use of the English language and promote better citizenship may result.

(2) The organization of "America First" dinners on Washington's Birthday, February 22nd, 1916, under the auspices of local Chambers of Commerce, to discuss industrial and labor conditions and how best to "get together" American and foreign born residents.

(3) An inquiry into the probable effects of the war on immigration by means of questionnaires sent to railroad and steamship agencies and other sources of information.

(4) The distribution by individual industries, through the medium of Chambers of Commerce, of a "pay envelope series" of twelve civics lesson leaflets for better citizenship, printed in English and foreign languages.

(5) Legislation—the following up of proposed legislation on immigration so that definite action may be recommended.

(6) The making of immigration surveys for Chambers of Commerce and industries in isolated communities so that practical Americanization work may be adopted.

Service Bulletin

The organization Service Bureau of the Washington Office of the National Chamber of Commerce sent out Bulletin No. 1 on January 10th to all secretaries of commercial organizations. This set forth the organization of the Committee and its membership and outlined the practical work already carried on in the night school campaigns conducted under the auspices of the Chamber of Commerce of Detroit and Syracuse, N. Y. The importance of the Americanization movement to the whole country, to the end that our many peoples and races may be united into one strong nation, was also indicated.

Washington's Birthday "America First" Dinners

Nearly 500 cities have been urged to hold "get together"

dinners on February 22nd. Prominent officials and leaders in every walk of life, including naturalized citizens of foreign birth, are to be invited, so that the different industrial, official, civic and social forces of the community may be represented. Addresses dealing primarily with "America First" and the many phases of Americanization are to be made by city officials, foreign born leaders, naturalization judges, leading business men and employers and social workers.

Detailed suggestions on why Chambers of Commerce should hold "get together" and "America First" dinners and how to organize such dinners have been mailed to one commercial body in each city represented in the membership of the National Chamber of Commerce.

Some twenty Chambers have already replied that they are organizing such dinners, including Winsted, Conn., Raleigh, N. C., Denver, Col., Auburn, N. Y., Salisbury, N. C., Great Falls, Mont., Spokane, Wash., Riverside, Cal., Salt Lake City, Utah, Little Falls, N. Y., Kansas City, Kan., Rocky Mount, N. C., Wheeling, W. Va., Yonkers, N. Y., San Diego, Cal., Lincoln, Neb., and Rome, N. Y. Nearly as many more have stated that they would *probably* hold such dinners, including Wilkes-Barre, Pa., Mosinee, Wis., Minneapolis, Minn., Lewistown, Mont., New Haven, Conn., Scranton, Pa., Utica, N. Y., Manchester, N. H., Kalamazoo, Mich., Rochester, N. Y., Phoenix, Ariz., and Taunton, Mass., while still others have expressed interest and have become awakened to the necessity for Americanization work.

Immigration After the War

Questionnaires have been sent out to many Division Passenger Agents, Traveling Passenger Agents, City Passenger Agents, and other passenger-soliciting representatives of American Railways, asking for the following information: (a) Whether our immigrant residents are saving money with a view to bringing their relatives and friends here, (b) whether there will be any considerable movement to this country and the estimated volume, (c) whether such immigration will consist of farmers or factory workers, (d) whether there will be any considerable emigration from this country of aliens going back to live in Europe permanently, and (e) whether there will be any considerable temporary emigration of those who will return to this country after a short visit.

Civics Lessons Distributed in Pay Envelope

Letters enclosing sample sets of these lessons have been sent to some 500 Chambers of Commerce throughout the

(Concluded on page 83)



©Harris & Ewing

Frank Trumbull,

Chairman of the Board of the M. K. & T. Railroad and Chairman of the National Chamber's Committee on Immigration.

* Frank Trumbull, Chairman; J. E. Denechaud, Herbert Myrick, B. L. Winchell, A. C. Weiss, Malcolm McDowell, Julius Rosenwald, B. J. Rothwell, and W. F. Willcox. Presented on Feb. 9, at the Fourth Annual Meeting.

Our Need of Vocational Education

Report of the Chamber's Committee on Education*

YOUR Committee on Education has been giving its attention to vocational education, and particularly to the desirability of the Federal government actively and directly participating with the States in providing such training in agricultural, trade, and industrial subjects that throughout the country, whatever labor is applied, it will be applied intelligently and with a maximum of efficiency.

In studying this subject your Committee has been aware that the Chamber of Commerce of the United States, at its Annual Meeting in 1913, adopted resolutions strongly endorsing the principle of liberal appropriations by the Federal government for the promotion of vocational education in the States. In this expression of the attitude of the National Chamber the Committee heartily concurs.

The Committee accordingly recommends that the Chamber of Commerce of the United States should reaffirm its belief in this principle.

Under the Constitution the Federal government has the duties and obligations which are peculiarly necessary to our existence and welfare as a nation. It deals with foreign countries and is responsible for our position among nations and not only promotes but regulates our interstate and foreign trade. In order that achievement may be encouraged in useful industry, the Federal government, by express authority of the Constitution, gives to inventors a monopoly, limiting it only in years and exacting on behalf of the general welfare only that there be such disclosure of the secret that at the end of the term all may be free to use it.

The welfare of the nation, its position among other nations, and the happiness and well-being of a great part of its citizens depend upon a great and immediate extension of vocational education. Unless its citizens who work with their hands are so trained that they can be efficient at their immediate tasks, and by reason of their training can make their industrial efficiency a means for their own personal advancement, the industrial and commercial position of the United States as a nation will be progressively impaired.

Justification for Federal Aid

In addition to the considerations which have been outlined above, there is justification for Federal action in precedents which extend backward for many years. For example, the Federal government has in the aggregate appropriated more than \$45,000,000 to the agricultural and

mechanical colleges of the States. For the support of common schools in the western States it has given lands in excess of 130,000,000 acres. The Secretary of Agriculture, in his annual report dated November 13th, 1915, said that in the current year his department has available from existing appropriations the sum of \$1,200,000, for extension work in agriculture. The grants from the Federal government have been justified because of their effect in promoting general and national welfare.

In May, 1914, Congress inaugurated a new series of appropriations, to be devoted "to aid in diffusing * * * useful and practical information on subjects relating to agriculture and home economics," and made permanent appropriations accordingly. In the present year the Federal appropriation is \$1,080,000, and it is to increase without further action on the part of Congress until in six years it will be \$4,580,000, at which figure it will continue year after year. To each dollar of these appropriations the States will have to add at least a dollar from their own funds, and the Federal law provides for efficient use of the appropriations by preventing their investment in buildings or other plant facilities and by limiting to five per cent the part that may be spent for printing.

Your Committee earnestly believes that both general welfare and national welfare require that the Federal government should at once extend its aid to the States for training in trade and

industrial subjects just as it has with great success and great national benefit for many years assisted the States in agricultural instruction. It believes, too, that the Federal government should lend its aid to the States for further vocational education for agricultural pursuits.

Without the assistance of Federal appropriations, and the impetus which will come from such appropriations, the States can themselves develop vocational education only very slowly. The industrial welfare of the country, however, demands all the haste that is consistent with care. The Federal Commission on National Aid to Vocational Education, appointed by the President in 1914, reported that only eight States had established systems for vocational education, and that these systems have not yet reached one per cent of the workers who need industrial training. The urgency of the necessity that the United States as a nation should be industrially efficient, in its shops and factories as well as on its farms, appears to leave no recourse other than prompt action by Congress.

School Administration in Local Hands

It should be noticed no suggestion is made that the Fed-



©Harris & Ewing

Frederick A. Geier,

Acting Chairman of the Chamber's Committee on Education.

* This committee consists of Frederick A. Geier, Acting Chairman; A. Lincoln Filene, Charles McCarthy, C. A. Prosser, G. L. Swiggett, Frank V. Thompson. Presented on February 9 before the Fourth Annual Meeting.

eral government should do more than extend its financial assistance and the encouragement which will flow from its appropriations and its example. The administration of the schools would remain wholly in the hands of local authorities and the instructors would be municipal or State employees, and not Federal employees.

In this report the Committee does not have in mind the higher instruction already given in technical subjects by many excellent institutions, both State colleges and institutions supported by private endowment. Nor has it in mind agricultural extension work, for which the States and the Federal government are now spending co-operatively \$5,000,000 or more a year. It has in mind instruction of a vocational kind for the great number of children who now leave school at fourteen years of age, and go to work. It is in the training of this great body of workers that Federal aid is imperatively and immediately necessary.

In order that the assistance of the Federal government may be effective a relation should be established between Federal and State appropriations, and provision should be made for Federal administration for the part the United States should take.

Consequently, your Committee recommends that Federal appropriations should be allotted among the States upon a uniform basis and should bear a uniform relation to appropriations made by the States for like purposes.

Grants Extended on a Uniform Basis

The urban and rural populations as shown by the decennial census have been decided by the Federal Commission to be the best basis at present available for allotment of Federal appropriations among the States for vocational education in trade and industrial subjects on the one hand and agricultural subjects on the other. It has proposed that Federal appropriations for this purpose like existing appropriations for agricultural extension, should be conditioned upon the States making equal appropriations from their funds, in such a way that for each dollar received from the United States for the salaries and for the training of teachers the people of the State would spend a dollar of its own. Even if future experience should indicate that some other basis for allotment, and some other relation between Federal and State funds, would more nearly accomplish the important purposes which are in view, the Committee for the present accepts the suggestions of the Federal Commission as the most equitable and practicable yet advanced.

In order that the Federal government may have administrative means of giving effect to any Federal laws which may make appropriations for vocational education, and may have an instrumentality for consideration of the peculiar interest of the nation in vocational education in all its forms and applications, a suitable Federal agency should be created.

For this purpose the Committee recommends the creation of a Federal board to administer the national functions in vocational education which are proposed, this board to be representative in its personnel of the interests which are vitally concerned, and to be given compensation sufficient to command in its membership the great ability appropriate for the task which is to be performed.

The Committee believes that the board should be so constituted as really to represent employers engaged in manufacturing, employers engaged in commercial pursuits, labor, agriculture and education, whether general education or vocational.

In order that such a body as the Committee has in mind may proceed with the highly intimate information regarding industries and occupations that is essential for continued success in practical vocational education, the Federal board should be required by law to seek advice from persons actually engaged in the industries and occupations for which vocational education is proposed. To meet this need, *the Committee recommends that the Federal board, however constituted, should be required to appoint advisory committees of five members each representing industry, commerce, labor, agriculture, home-making, and general or vocational education.*

Advisory Committees

These committees should be appointed only for such periods of service as the Federal board may determine. They should receive reimbursement for their traveling expenses and compensation for the time they actually spend in the active discharge of their duties. The members of each advisory committee should in all cases be so selected that they will represent as many different parts of the country as the geographical distribution of the industry in question will permit. The purpose of the Committee is to suggest such a plan for advisory committees as will permit and guarantee the appointment of a committee representing a particular industry to serve only for such a length of time as will be actually necessary for its duties of advice regarding the situation in the industry in question. Thus, an advisory committee representing one industry should speedily give way to a committee representing another industry. In order to prevent undue expenditures for committees of this kind, the aggregate amount to be spent for all advisory committees in any one year might be limited, perhaps to \$50,000.

Your Committee believes that immediate adoption by Congress of such proposals as are made in this report would go far toward advancing the interests of the Nation in ways which cannot otherwise be provided.

For the Committee on Education,
FREDERICK A. GEIER, *Chairman.*



of supplying workers, but many of them have been guilty of such abuses that they are patronized only by the poorer kinds of labor. If unemployment is acute, their fees frequently increase, presumably on the theory that the value of a job has increased. They have been found in conspiracy with construction foremen in the West, under arrangements by which the foremen received half the fees of men sent to them; as a consequence, in the vernacular of the men, "three gangs" were always in operation,—the gang on the way from the agent, the gang actually at work for a few days under a foreman in the conspiracy, and a gang discharged to make way for the recruits. When a large piece of railroad construction was to be undertaken in the south, employment agents advertised in northern papers the salubrities of the southern winter climate, saying nothing of the arduous conditions of work. Large numbers of men wholly unfitted by earlier occupation and experience responded, wasting considerable sums of money spent for their transportation and eventually finding themselves stranded. Instances such as these can be multiplied, and gross abuses of other sorts can be cited. No system of private employment agencies can adequately meet the needs of a country such as the United States; and in far too many instances the private employment agency has been a canker in the industrial system.

Labor Unions and Employers' Associations

Labor unions on the one hand and employers' associations on the other often undertake to bring together men and the places which are vacant. Some limitations upon such attempts are apparent. Employers frequently hesitate to use such facilities as the unions offer, and wage earners may feel some distrust of activities which are conducted under the auspices of employers. There is a difficulty even more fundamental in the fact that these facilities do not in any way discover the opportunities for employment outside the trade or industry concerned, even when employment in the trade or industry may be so seasonal that persons who enter it must look elsewhere for employment during an important part of the year. The highly seasonal character of employment in the grain harvests, even when the working forces migrate from Texas to the Canadian border as the grain ripens, is of course obvious to every one. Seasonal employment is almost as much marked in other kinds of work. According to data gathered by the Bureau of the Census several years ago, 109,000 more men were employed in foundries and machine shops in the busiest month than in the slackest month, and the variation in the number of men employed in steel works and rolling mills was 68,000.

States and municipalities have in some instances dealt with the questions which are involved in attempts at bringing together persons who need employment and employers who require their services. In October there were in existence twenty-three state systems of public employment bureaus operating some 64 different employment offices. In addition there were 20 or more municipal bureaus. The degree of success these state and municipal bureaus have attained, their methods, and ways in which their efficiency may be increased will be studied by the Committee.

In particular the Committee will endeavor to ascertain how far the state and municipal bureaus are labor exchanges, in the sense that they in fact form a medium through which the requirements of employers and workers are accurately met. A labor exchange cannot stop with listing names. It must very definitely ascertain the experience and the capabilities of workers and as exactly determine the requirements of positions which are open, bringing to applicants an opportunity to present themselves for engagement in the jobs for which they are fitted. Obviously, if an institution of this sort is to be successful,—is to be the place to which both unemployed persons and employers seeking workers resort,—it is not sufficient that it be public but it is essential that it be managed in such a manner, and under such auspices, that in fact it will be wholly impartial in all controversies between employers and employees, and neither directly nor indirectly will be an agent of either side.

The Federal Government and Unemployment

In consideration of state and municipal activities questions will at once arise regarding the desirability of Federal action, and the form it should take. As a matter of fact, since 1907 the Bureau of Immigration, in the Department of Labor, has been directed by law to gather information through correspondence with appropriate state officials and to make it available to immigrants, who constitute a class of unemployed persons necessarily coming into direct contact with Federal officials. This activity of the Federal government has for several years been enlarged, since the law happens to direct the distribution of information not only to immigrants but also "to such other persons as may desire the same." The Bureau of Immigration has assisted in gathering men for grain harvests of the middle west, has aided in finding new employment for men and women thrown out of work by the Salem fire, and in other ways has dealt with the general question of unemployment apart from questions of immigration.

In the early part of 1915, when unemployment was acute, it enlisted the cooperation of the Post Office Department and the Department of Agriculture in gathering through the post offices and the local representatives of the Department of Agriculture information about opportunities for employment, distributing this information to applicants for work. Thus, the Department of Labor is now to a certain extent performing the same functions as the state and municipal employment offices. In other words, it is bringing together the applicants for workers and the applicants for work. In doing this, of course, the Department of Labor has a national scope, giving information regarding chances for employment everywhere in the country. Whether its present method of operation is a more efficient activity than co-ordination of state and municipal offices, brought to uniform standards in methods and operation, is a question of importance which will occupy much of the Committee's attention before it makes its report. As a matter of course, all bills introduced in Congress, and any important new legislation brought forward in the states, will be studied. One bill has been introduced in the present Congress, by Representative Nolan

(Concluded on page 82)

Arbitration of Commercial Disputes

Report of the Chamber's Committee*

AT the sessions of the Pan-American Financial Conference, at Washington, in May, 1915, Dr. R. C. Aldao, a delegate of Argentine, presented a memorandum setting out the advantages in mutual confidence and in prompt removal of causes for misunderstanding which would follow from arrangements for arbitration of disputes which arise between citizens of Argentina and citizens of the United States in their commercial relations.

This suggestion was immediately acted upon by the Executive Committee of the Board of Directors of the National Chamber, which was in session at the time in Washington. The following resolution was adopted:

The Executive Committee of the Chamber favors a system of commercial arbitration between the United States and Latin-American countries, and the cooperation of this Chamber in providing for a practical plan which would make such a system possible.

This resolution was given immediate effect by the appointment of the Committee on International Commercial Arbitration which was charged with a duty to confer with Dr. Aldao and other Argentine delegates for the purpose of arriving at a tentative plan which could be submitted to the Buenos Aires Chamber of Commerce and the Chamber of Commerce of the United States, and which when put into final form might serve as a model for similar plans to be arranged with representative commercial organizations in other Latin-American countries.

Interest of National Chamber

Interest in international commercial arbitration on the part of the Chamber of Commerce of the United States existed from the beginning of the organization. In the early part of 1914 the Board of Directors had before them a report regarding the situation of proposals which had been made, and it took active steps to have the United States represented at the Sixth International Congress of Chambers of Commerce, at Paris, in June, 1914, because it realized that possible methods for settling expeditiously disputes arising in international trade would have prominence.

In fact arbitration as a method of settling controversies between traders of different countries had an important place upon the programme of the Congress. The discussions resulted in adoption of resolutions emphasizing the importance of merchants and manufacturers of all countries having at their disposal means for arbitrating disputes, calling upon the federations of commercial or industrial associations in each country to organize immediately associations of international arbitrators for each class of business, and declaring for a special conference for the purpose of elaborating a draft of an international agreement providing for arbitration of disputes occurring in trade between citizens of different countries.

Before the special conference could be called, and indeed before many of the delegates in attendance at the Congress had reached their homes, the European war had in-

tervened. As a consequence, the negotiations of the representatives of the Buenos Aires Chamber of Commerce and the National Chamber's Committee were the first results of the conclusions of the Paris Congress.

The sessions of the representatives of the two Chambers began at the earliest moment practicable after the conclusion of the Pan-American Financial Conference, occurring in New York City on June 3, 4 and 9. Through the courtesy of the Chamber of Commerce of the State of New York, the conferees had committee rooms, stenographic facilities, and entertainment placed at its disposal.

Informal discussion soon made it apparent that the principle of voluntary submission to arbitration would be found most desirable and that it would not be wise to attempt to provide for the enforcement of awards through the courts but rather through the influence of commercial organizations upon their own members. It thus became easy to provide for a very effective sort of appeal from the result of an arbitration, since an aggrieved party is afforded a chance to present his case to his own organization, but under such circumstances that this opportunity is not likely to be misused.

Plan of Procedure

On June 9 the representatives of both sides, who at all the meetings really sat as a joint committee, unanimously approved a form of agreement which they undertook to recommend to their respective organizations.

The plan which was embodied in the agreement contemplated that each of the Chambers would create a Committee on Arbitration which would supervise the operation of the system. Each Committee would have a list of official arbitrators, composed of residents of its country,—partly made up of representatives of its country and partly of persons selected by the other country. From these lists the arbitrators would be chosen for each case. Regular bulletins published by each Chamber would make known to its members the substance of each case, the nature of the award, and the manner of compliance. Details in the plan were so arranged as to give assurances of equitable treatment, and to make it possible in a very simple way for persons trading between the two countries to provide for arbitration. As the Committee made a report at once to the Board of Directors, and the complete text of the draft for an agreement was printed in the Nation's Business for June, and has since been reprinted in publications of the American section of the Joint High Commission which is continuing the policies of the Financial Conference, the Committee refers to these printed forms and does not attach the text to this report.

When Dr. Aldao sailed for Buenos Aires, on June 12, he took with him the draft of agreement. The Buenos Aires Chamber of Commerce very properly took time to examine the agreement in all of its bearings. This scrutiny makes its action in formally approving the agreement, on December 15, indicative of solid achievement in the efforts which have been devoted to making arbitration of international commercial disputes.

(Concluded on page 83)

* The members of the Committee are Owen D. Young, Chairman; Charles L. Bernheimer, William S. Kles, Frank A. Vanderlip, and James G. White. Presented February 8 at the Fourth Annual Meeting.

Trade and Our Foreign Relations

The Report of the Chamber's Committee*

THE chief work of the Committee during the past year has been the attempt to improve and perfect the Chamber's news service throughout Latin-America which was begun with your approval shortly before the last annual meeting of the Chamber. Those bulletins have been sent out by our Committee regularly on Saturday of each week for fifty-seven consecutive weeks. In them we have striven to set our current news which would interest our Latin-American neighbors, and especially of the progress of our industries, of important legislation, of our public charities, how our people responded to the opportunity to aid suffering in Belgium, Poland, Servia, etc., etc. These bulletins never contain the names of individuals or companies because that might be construed as advertising. The chief distributing agency for this news service has been that conducted by the *Prensa*, that great newspaper of Buenos Aires, Argentina. During the early days of these bulletins we received many helpful suggestions as to their form from our Latin-American friends, but it is now many weeks since any such alterations have been suggested and it is gratifying to report that the bulletins seem to be giving general satisfaction.

For those who have never resided in South and Central America it is difficult to understand what a handicap to the spread of our trade with these countries existed in the distressing lack of cable news from the United States or else the unfortunate items which were there published concerning us. The principal news from the United States referred either to lynchings, loss of life by accidents in factories, political or business scandals, etc., etc. During my two years residence in Buenos Aires, I noticed that two foreign governments were transmitting to the press of South America weekly bulletins of about five hundred words each, setting out in an advantageous manner their commercial possibilities and civilization. Although these bulletins served a useful purpose it was obvious that if they could be more frankly furnished by some great business men's organization such as ours they would prove even more effective. The success of our bulletins has proved this to be true and in that connection it is gratifying to quote from a letter recently received by our Committee from the representative of the *Prensa*:

It is a pleasure for me to inform you that the weekly Latin-American Bulletin of the Chamber of Commerce of the United States which is transmitted through "*La Prensa's*" telegraphic service to all the

South American Republics, has been of general and great interest ever since it was first issued and I have seen that week by week it is being improved. I have not the slightest doubt that in a very short time it will be considered indispensable in all Latin-American Republics owing to its completeness and the full information contained therein.

Our Committee has completed arrangements for the distribution of similar bulletins throughout the Far East and Australia, that service to be commenced by mail instead of by cable because of the expense of cabling. It has not yet been possible to put this additional news service into operation because of the additional expense necessitated by the preparation of the weekly bulletins, which, of course, would be different in character from those sent to Latin-America, since many subjects of interest to our neighbors in this hemisphere would not be considered news-matter in the Orient.

In accordance with your request our Committee studied the recently abrogated commercial treaty with Russia and also advised with a number of merchants in the Russian trade so as to prepare ourselves in case the Committee should be called upon for its advice in regard to the new treaty to be negotiated with that Government. Our advice has not yet been asked.

This Committee realizes that careful thought upon the world situation is now the patriotic duty of all of our citizens. The changed conditions in international commercial relations which will undoubtedly obtain at the close of the war will give our government an opportunity and a responsibility perhaps never before paralleled in

our history. It is the duty of all loyal business men to aid the government by their advice whenever called upon, and it is especially the duty of this centralized group of business organizations of our country to formulate some recommendations looking toward the business readjustment which will inevitably follow the close of the war. This fact has been thoroughly realized by the Chamber of Commerce of the United States, and its various committees have for months been actively engaged in studying it from their various angles.

Study of Commercial Treaties

It is peculiarly within the province of this Committee to consider the commercial treaties between this country and not only the warring states, but also the neutral ones, because if these treaties should be recast along unbusiness-like lines a harm will have been done to American foreign trade from which it will take years to recover. A consensus of the best business advice of our country has never hitherto been sought by our government at the time of its



© Harris & Ewing

Hon. Charles H. Sherrill

Former Minister to Argentina and Chairman of the National Chamber's Committee on Foreign Relations

* Hon. Charles H. Sherrill, Chairman; E. G. Miner, J. R. Morse, C. M. Muchnic, Fleming Newbold, E. W. Robertson, W. A. Sadd, J. G. White, and George Woodruff. Presented February 9, at the Fourth Annual Meeting.

entering into any commercial treaty. In the light of modern events it seems incredible that this should be a fact, but nevertheless, and unfortunately, it is true. Furthermore, until the formation of the Chamber of Commerce of the United States, there existed no efficient machinery for collecting and collating such business advice.

We believe that it is the duty of the State Department to take counsel with the National Chamber of Commerce whenever the Department is about to negotiate a commercial treaty with any foreign nation, because there is no better way for the State Department to obtain expert advice upon what the business men of the United States believe to be necessary to include in such treaties for the protection and advantage of American merchants trading abroad, and because those business men have a right to be heard in a matter so important to them. The Committee will welcome any advice and suggestions.

While speaking of the study which this Committee has given to commercial treaties it is appropriate to remark that at the last Convention of the Chamber of Commerce held in February, 1915, there were advanced certain suggestions for bettering our merchant marine requiring the abrogation of a number of commercial treaties which in the opinion of the Attorney General of the United States rendered October 31, 1913, to the Secretary of the Treasury, nullified all that part of the Tariff Law of October 3, 1913, which attempted to assist our Merchant Marine by granting five per cent reduction on duties to goods carried in American bottoms. It is not the purpose of this Committee to recommend any particular form of legislation, but it is the duty of this Committee to point out that, because notices looking toward the abrogation of all or a part of seventeen of those treaties have during the past year been served upon foreign governments by our State Department pursuant to the terms of the so-called LaFollette shipping bill, therefore the field is now open to negotiate new commercial treaties which will protect American interests abroad more intelligently than our treaties in the past negotiated as they were with little or no advice from our business men directly interested.

Several communications have reached this Committee from Americans residing abroad and the most important of these is one from the American Chamber of Commerce in Paris, a loyal and effective member of our National Chamber. It recites that both the central powers and the allied powers are now gathering information and making plans relative to the protection and advancement of their respective economic interests after the war. The French Senate with this object in view has appointed a committee consisting of former Ministers of Foreign Affairs and of Commerce. Before this committee the American Chamber of Commerce in Paris has been invited to give its views on the following four subjects:

1. Organization of credit.
2. Organization of transportation with respect to import and export trade.
3. Organization of production and labor.
4. Organization with respect to commercial agreement between France and allied and friendly countries for economic development.

Similar steps are being taken in many other European countries to conserve and advance their business interests

after the war. There is being urged in many of these countries some form of tariff protection after the war which shall be not only defensive of their own products but shall also enable them to wage a commercial war against the powers with whom they are now in armed conflict. We should take these published statements into account and prepare ourselves to meet these foreign tariffs in some way that will insure us our rights under "most favored nation" clauses of treaties. In these preparations various American Chambers of Commerce located in foreign cities can be most useful and they already have loyally offered their services for this purpose. A case in point is afforded by the efforts of the American Chamber of Commerce in Paris a few years ago to help our State Department in its dealings with the French Government to secure better treatment for our exporters under the "most favored nation" clause of our treaty with France.

It is the purpose of this Committee during the ensuing year to endeavor to increase the number of American Chambers of Commerce in foreign cities to the end that local advice of an expert character can thus be made available for the general purposes of the Chamber of Commerce of the United States.

Our Committee recommends that an International Trade Commission be appointed by the United States Government with power to investigate the chief foreign markets and to make recommendations as to commercial treaties to be negotiated with foreign countries, and in this recommendation we would include the request that the American Chambers of Commerce in foreign cities be invited to prepare in advance to aid this International Trade Commission upon its arrival in their country.

This Committee further recommends that if the Congress decides that it is inexpedient at his time to appoint such an International Trade Commission, that then the Chamber of Commerce of the United States shall promptly appoint and send out such a Committee from its own membership, and that for the use of this Committee there be collected before it leaves this country, through the machinery of the National Chamber, any suggestions which our various constituent bodies may give for the guidance of the Committee's efforts. We believe that such a committee so equipped with suggestions from home and aided abroad by American Chambers of Commerce in foreign countries, would produce results of very great value to our foreign trade.

This Committee has been requested to report upon how American credit abroad can be developed so as to aid in our growing foreign trade, but we feel that not only is it outside our province to report on this subject but also that it is unnecessary because the American Bankers' Association is now cooperating with the Federal Reserve Board in an endeavor to develop a broad scheme for the handling of our foreign credit.

This Committee believes that there has seldom in our history been afforded such an opportunity as now exists or that there has ever arisen such a need for reciprocity agreements with foreign countries, and therefore it recommends that such agreements be negotiated in regard to products in which we are particularly interested.

For the Committee on Foreign Relations,

C. H. SHERRILL, *Chairman.*

The Navy's Task in National Defense

By HON. JOSEPHUS DANIELS

*Secretary of the Navy**

THERE was a time when sessions of commercial bodies were engrossed with trade questions, relating to extending the business of those represented in such gatherings. We have come to see this great national body organized along lines as broad as the expanse of the Republic, acting on the motto of a noble ancient who said: "I am a man and whatever concerns man interests me."

The farmer feeds us all, the transportation companies carry our produce, but commercial bodies constitute the clearing houses through which business is expedited and the producer and the consumer are brought together. Your body teaches the railroad man that he cannot live without the farmer, and shows the farmer that adequate transportation facilities enhance the money value of his crops. Instead of a body that meets for annual joy-rides and mere exchange of business experience, the National Chamber of Commerce is organized upon modern lines to study every policy that touches the life of the people, and through its committees and a referendum you collect data that gives guidance for your deliberations and makes for direction of an informed public sentiment.

Some days ago I was honored by a call from your special committee, charged with the duty of collecting information with regard to the navy and navy programs. Every member of the committee was of the Missouri type and seemed to say "show me." They were looking for facts, reminding me of Mr. Gradgrind whom Dickens describes as always saying: "Give 'em facts, and nothing but facts." I have no doubt they have collected data upon our naval strength and our naval needs that will be illuminating to men who have made a lifelong study of the navy. So I come to speak with something of confidence to a body well supplied with facts.

Our Right to Feed the World

We have reached a period in our national life when we can no longer live unto ourselves and when we must reach beyond our own borders for expanse of trade and must say to ourselves, "No pent-up Utica contracts your powers."

On our farms we grow more than the republic can consume. We must feed much of the world, and the President truly declared in Kansas, rich from its wheat crop, "we have the right to feed the world." And we do not propose to surrender that right or permit it to be placed in jeopardy.

The time when the home market was ample for the products of our factories belongs to the past. We have a right also to have a large share in clothing the world and supplying people in every clime with whatever is manufactured in our mills and factories. Commerce cannot be provincial, or national, or be cribbed and confined to single hemispheres. "We must mix with men and prosper" and find our business comrades in every nation under the sun.

How can we fill our larger mission? How can we carry cotton and wheat, implements and machinery to those who need what we have over and above our own needs and receive in exchange what we require and what our customers desire to sell to us? In the early days of exploration and adventure, American ships sailed every sea and brought home treasures from near and from far.

Today our coal and lumber remain under the earth and in the forests because of the exorbitant price of transportation and the lack of a merchant marine. We lack ships to transport our surplus and we pay in high freight rates taxes higher than those imposed by federal and state governments. As an illustration of the increase in ocean freight rates, when the Belgian Relief Commission started its work it was able to secure ships for the voyage, Atlantic Seaboard to Rotterdam, at about \$7.00 per ton dead weight, but it has recently had to pay as much as \$25.00, and, "even under these condi-

tions," says the Commission, "it is impossible to secure the necessary ships absolutely required to furnish a minimum ration to the population in Belgium," and a bill has been introduced in Congress authorizing the use of army and navy transports to meet the emergency. Such illustrations might be multiplied. "It is a condition and not a theory that confronts us." What avails teeming harvests and large production in factories without adequate and reasonable water transportation?

A Navy and a Merchant Marine

The securing of an adequate merchant marine is a pressing problem and it is so tied up with the enlarging and strengthening of our navy that the two cannot be wisely separated. The present Congress will be called upon to give much of its time to preparedness afloat, and this embraces ships for the carrying of freights as well as ships mounting the biggest guns and carrying the most approved implements of war. A merchant marine and an adequate navy are our two chief needs; they are one and inseparable, and we cannot really discuss the one without finding it inter-



© Harris & Ewing

Hon. Josephus Daniels, Secretary of the Navy

* Address on February 10 at the Fourth Annual Meeting of the National Chamber.

Department of Commerce and Commercial Statistics

Remarks by Hon. William C. Redfield

Secretary of Commerce

I DID not expect the privilege of being introduced at this time. I had thought I might follow my friend the chairman of your committee, in whose efficiency and unselfish labors I have taken the deepest possible interest, and I appreciate the compliment he has granted to me of speaking briefly now.

My task is a somewhat delicate one, for I must speak of matters that have been the subject of bitter hostile comment in the press, and which some have attempted to utilize unfairly.

Those who are associated in my work will tell you, if you ask them, that one of the things I have most commonly to say to them, one of the things which differentiate very sharply your work from that which I am now called upon to do, is this, that all men will believe you about the work you are doing and many men will not believe me about the work which I am doing. To get believed, to be taken at par, to have the ordinary candor that prevails among you, is not for me. And so, having in these words no reference to the subject matter now before you, I am accustomed to say *ad nauseum* to those who work with me, "Remember, before you speak, that there are men in this country seeking not to repeat what you say, but seeking to pick out from what you say that thing which they can twist to your injury; that what you write will not be judged as a whole by what you write, but will be judged by those phrases which can be selected from what you write and given the meaning that the critic desires to have given."

As to Fair Treatment in Print

May I tell you a personal story that will illustrate that? Perhaps I might also add, as the best illustration of it, that it is within two weeks that, by the accident that a certain article was a paragraph shorter than would fill the page, the editor of one of our great magazines was led to discover that he was on the point of publishing an article over my signature of which I had never heard and concerning which he was totally deceived. He had acted in perfect good faith; the article had been sent him by a stranger to me, bearing my name, and he was about to print it. It proved to be a few lines too short, and he asked me to fill up the page, and hence the discovery, after it was in type. That is not the first time that sort of thing has happened within the last three years.

Consequently, I say, to my associates, "You will not get fair treatment from those who read or who criticise what you write. Your words will be twisted. Be careful, therefore, so to state them that they cannot be twisted. Say both affirmatively and negatively what you mean, it means this and it does not mean that."

There are gentlemen here before me who know from personal experience just the force of what I mean.

In this I have no reference whatever except to the fact that there are men in this world dealing with what you

say and what I say whose purpose is not straight, whose purpose is that of working to advantage a portion of what is said, and therefore the need for the greatest possible caution lest wrong be done.

It is not many months ago that a newspaper man came to me stating that the dispatch concerning an address of my own differed so entirely from the address itself which I had, fortunately, sent to him, that he desired to lay the two together before me that I might tell him which was right. Upon comparison I found in the dispatch about my original address that the negatives had been struck out and the sentences made affirmative, qualifying clauses had been struck out, and the whole thing filled with aggressive headlines, none of which had I ever seen.

Some Departmental History

With that background, I want to show a little of the history that lies behind the departmental side of this report, with whose conclusions I am in entire accord. I esteem your committee, in the report that they have brought before you, to have done a fine public service, and the recommendations that they have made have my full endorsement and that of everybody in our department that knows them. I wish there were more than those of your own body who would do as admirable work as this is. I like it because we asked them to do it.

I found when we took office that my predecessor had been dealing with this matter, and had done with it all he could. We are working in the statistical department of the Government under a law which is partly one of 1799 and partly one of 1820. If you have in your business any rules as old as that, you find it somewhat difficult to get modern results.

Import and Export Statistics

Taking those facts as we found them, we found the results were not satisfactory, either on the export or the import side. The relative error on the import side is not large, and is easily corrected, has been already corrected, was in process of correction two years ago, and the process has since been worked out to the point where such error, if it exists, is negligible. It is a matter of careful checking. When these laws were passed there was no science of statistics at all, there was not any such thing as the expert commerce of America as we know it now, and this idea of fitting a foreign business of five thousand millions a year into a law of 1820 is not a simple proposition.

On the export side there were serious discrepancies, which, I am very glad to say, we called to the attention of your committee and asked their co-operation in straightening them out. That work has been going steadily on continuously, and they are straightened out. There are being distributed here, I trust, today copies of the executive orders of the Secretary of the Treasury and myself, taking effect

upon the first day of February, which removed all the substantial errors that can be removed without legislation, so that in a certain sense the matter with which we are now dealing is *ex post facto*.

Reluctance of Shippers to Supply Figures

I want to say, however, one thing, that not a single one of the errors in the statistics could be chargeable to any of my predecessors, not a single one of the errors of the past is chargeable to any servant, officer or employe of any kind in the Department of Commerce, for none of them had anything to do with it. You yourselves had as much to do, and perhaps a little more to do, with this whole matter, as any officer or employee of the Department of Commerce. Such errors as have existed in our export statistics—which were possibly considerably understated, there is no question of overstatement, that is not the fact at all—have been almost wholly on the part of shippers who refused to state the facts, and the chief difficulty that has occurred, that we have run across in the effort to get the statistics straightened out, now happily accomplished, has been the resistance of business men, who were not willing to state the facts required by law. My regard for truth obliges me to say these things to you.

Co-operation With the National Chamber

In the first place, then, this inquiry was begun by the Department of Commerce, who asked the assistance of this body, which has assisted it so often in the past and so well, and in whose judgment we have confidence.

In the next place, the work of correcting these matters has been going steadily on, and is now substantially completed.

In the third place, none of the errors whatever have been committed by any officer, employe, servant or person in any degree whatever attached to the Department of Commerce.

With those things in mind, I think you may regret to find such a headline, arising, I am sorry to say, from a mistaken conception of your committee's report, as this: "The Redfield System Wrecks United States Trade Statistics Bureau. Secretary of Commerce blamed for shocking

inaccuracies in export figures. American business men to protest to President Wilson and Congress." That is taken from a well-known paper in the city of New York, based upon the alleged report, not, I am thankful to say, the accurate report of this Committee. It is for that reason, because that points out how easy it is even for your words to be misinterpreted, that I have asked the privilege, so kindly accorded to me by your officers, of stating a little of the facts which lie behind this matter.

The Open Door of the Department of Commerce

There was one final word, gentlemen, and only a word. You are witnesses, your committees and your officers, that there are no closed doors in the Department of Commerce—none. If any of you doubt it, come and ask. In your presence now I say that if, now and hereafter, so long as I have anything to do with that Department, there is aught of concealment, I will show it up. There shall be nothing there that you may not fully see and understand—nothing whatever. I hope that will be understood as literally true, and as meant in spirit and purpose.

We are trying to do, as well as we know how, a work for the business of this country. It is perfectly easy for us to show that it is appreciated by the business of this country, but if it were not, it is to be done just the same. Do not understand me as implying in the background of my thought criticism of any man. Nay, that would be hard for me to do, for these your officers and committeemen are my friends, whom I value highly and in whose honor and character I have reason to have confidence. I value enormously the freedom and candor of intercourse between your officers and committees and our Department. It is the small-in-scale and large-in-promise beginning of that mutual co-operation which must come between business and government in this land, and we must publish facts in which you believe, and you must believe the facts which we publish. That is of the very nature of things in this country of ours it must be so. And it is because, at the time when we, after years of patient effort, had gotten these things to the point where they could be trusted, that men of sinister and little motives thought best to throw the shadow of doubt upon that which had become indubitable.

(Secretary Redfield made the foregoing remarks concerning the collection and publication of commercial statistics by his department, on February 9, just preceding the presentation of the report of the National Chamber's Committee on Statistics and Standards. The remarks of that Committee's Chairman, Mr. A. W. Douglas, are given on the following page.)

Presenting the Figures of Trade and Industry

Report of the Chamber's Committee on Statistics and Standards*

SINCE I had the pleasure of addressing you, a year ago, the Committee on Statistics and Standards has sent out two reports on the general crop and business conditions—one as of July 17, 1915, and the other as of December 11, 1915. Also the story of the "Condition of Winter Wheat," as of April 10, 1915; the "Cotton Acreage in the Early Spring, 1915," and the "Condition of Fruit," as of May 1, 1915.

It is very gratifying to the Committee to know that there is a growing interest among the members in these reports. Through the good work of the press department of the National Chamber in Washington these reports have received extended notice in the daily press throughout the country.

We are much gratified that there have been so few adverse criticisms of the Statistics and Standards Committee, notwithstanding the fact that the 57,000 varieties of industrial and agricultural centers of the United States are all desirous of having it thought each one's particular territory is the best in the world and the most prosperous. Consequently, once every little while we receive a criticism from some local interest which is either misinformed as to the actual facts of its own situation, or else does not like to have the unpalatable truth told about it. We reply diplomatically and usually get by without much trouble.

An Important Agricultural Report

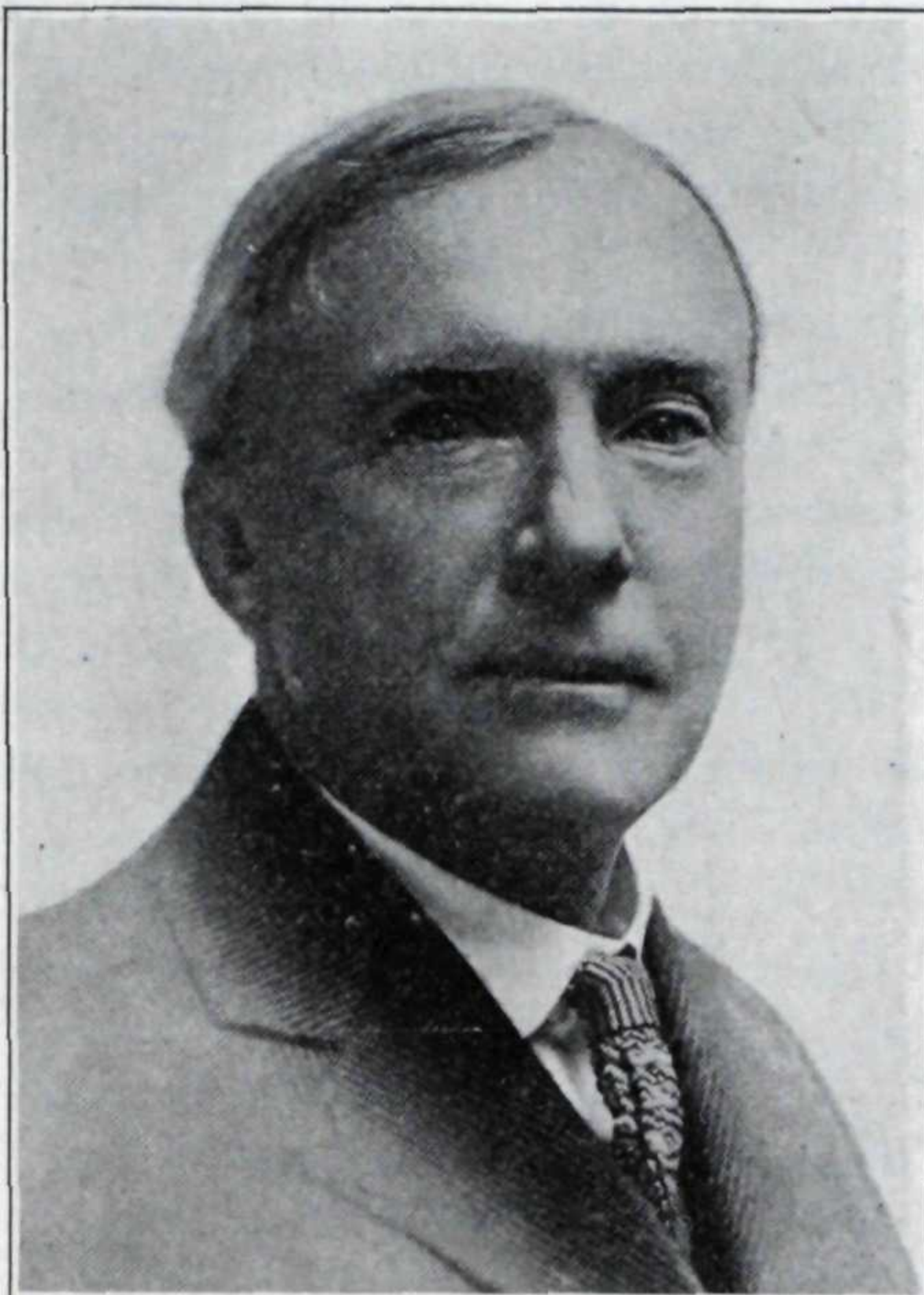
Another report, that on the Texas cattle or fever tick, issued September 24, 1915, was undertaken by the Committee with fear and trembling, because I had a plentiful lack of faith as to its being a real interesting subject to the many. In fact, I did not think it would stack up as a thriller along with the "Three Musketeers," or fifteen reels of the "Strange Case of Mary Page," but it proved to be one of the "best sellers" and the edition was completely exhausted in a short time.

Another report, that of the "Relations of Climate and Business," issued December 3, 1915, was in preparation for a long time since it meant a good many months of personal observation and study. The Committee was particularly desirous of bringing before those not acquainted with the situation, and their name is legion especially East of the Allegheny Mountains, the far-reaching import of the agricultural and commercial problems involved, likewise the great results which had been attained through the patient

work and intelligent study of the Department of Agriculture and State Agricultural Colleges, how a most unpromising, forbidding problem had been solved by transforming a great portion of what was formerly known as the Great American Desert into productive area, and how this had been further aided and carried through successfully by the intelligence, courage and initiative of the inhabitants of the Great Plains States.

"What's the Matter With Kansas?"

The State of Kansas was selected as typical of the situation, because in some parts of our country the prevailing idea of Kansas was that of a wind-swept, treeless prairie, buried under arctic snows in the winter time and burning up in the summer in a condition described by the prophet Elijah when he said: "When the sky was as brass and the earth as iron underneath." It was believed, furthermore, that these inhospitable wastes were inhabited by unlovely women in sun bonnets and by "one gallus" men who raised corn and hell with equal success and impartiality. It is a very interesting economic and psychological fact that the inhabitants of these arid and semi-arid lands are among the most intelligent, most progressive and most thoroughly American of any of the peoples of this country.



©Harris & Ewing

A. W. Douglas, Chairman of the National Chamber's Committee on Statistics and Standards

Statistics of Foreign Commerce

There was also issued and is now submitted to the members at this meeting a report on Statistics of Foreign Commerce. The credit for this report is almost entirely due to Mr. N. I. Stone of this Committee, for Mr. Stone gave much time and study to this work. The Committee also acknowledges with great appreciation the constant cooperation and good will of the Department of Foreign and Domestic Commerce. The Committee found everywhere a genuine desire on the part of everyone connected with that Department to make the statistics of actual value to the business world, and these same gentlemen exhibited that very rare trait of being ready to correct errors that existed whether they were responsible for them or not. The result is there has been improvement in these statistics and many more improvements are under way. I ask the approval of this meeting on this report.

Committee on Statistics and Standards,

A. W. DOUGLAS, *Chairman.*

* A. W. Douglas, Chairman; A. R. Hill, Byron W. Holf, C. J. McPherson, Dan Norman, L. W. Parker, M. C. Rorty, N. I. Stone. Presented February 9 before the Fourth Annual Meeting.

Working With the Department of Commerce

(Concluded from page 70)

Sub-Committees Appointed

At the meeting in New York it was decided that the work of the general committee could be greatly facilitated by division into sub-committees. For the activities of the Committee bring it into contact with many departments and many bureaus, and the full Committee, made up as it is of active business men, could not become thoroughly informed as to the scope and the personnel and the problems of each of the many bureaus. Sub-committees were therefore appointed on Foreign Trade, on Banking, on Steamboat Inspection and on the Census. Other sub-committees are still being formed. All of them, of course, report to the full Committee.

Each member of a sub-committee gives close attention to the problems that arise out of the relations of business with the bureaus in which his sub-committee is most closely in contact. This interest, I think, has been constant and keen.

To illustrate, the chairman of the sub-committee on Steamboat Inspection was on his vacation in Michigan at the time of the *Eastland* disaster. He immediately reported in Chicago, and was daily in attendance at the hearings and executive meetings of Secretary Redfield's commission.

The Problem of Steamboat Inspection

After the completion of your Committee's report on the promotion of foreign trade through the Bureau of Foreign and Domestic Commerce and the Consular Service, it seemed natural to consider the problems of the Bureau of Steamboat Inspection. For in administrative detail at least, this Bureau has a decided effect not only upon the safety of passengers and cargo when at sea, but upon the general flow of commerce. A ship, like a train, is most directly performing its function when in motion. And if through an inadequate staff of inspectors, by unnecessary regulation, or through confusion in organization, a ship is held in port even for a short time, the available tonnage for American

shipping has been decreased. In an individual instance, of course, when but one ship is affected, that decrease is small. But hundreds of ships are clearing daily and the aggregate loss might be one to reckon with. In approaching this problem, we have had the assistance of two competent lawyers. One has prepared a digest of the statutes and regulations governing the operations of the Steamboat Inspection Service. Continuously since October, another has mingled with the officials of the service not only at the headquarters in Washington, but in the ports of New York, Boston, Buffalo, Cleveland, Detroit, Chicago and St. Louis. He is studying not alone the statutes and regulations of the service in theory and in principle, but in detailed application. One sentence from a day's report is significant. "I have found service conditions in—in a deplorable state, due to the ridiculously small force in the local inspector's office. The men themselves seem to me to be efficient, but that is the consensus of the shipping men with whom I have talked."

Perhaps this is the answer to whatever difficulties our survey may disclose—sufficient appropriations from Congress for an adequate staff.

But the Committee is still on the work of investigation. It is not ready to report its conclusions to the Board of Directors. I believe that it will be able to do so before the end of March.

In the work of the Committee we have had the very fullest co-operation of the officials of the Departments of the Government and from this co-operation we have greatly benefited. But the point of view that we have tried to keep has been the point of view of business men, reasonably familiar with the subject under consideration, and representing those most affected by the work of the officials, rather than that of the officials themselves.

For the Committee on the Department of Commerce,

A. W. SHAW, *Chairman*.

Facilities for Labor Exchanges

(Concluded from page 75)

of California, proposing a national employment bureau, "to provide facilities whereby employers may obtain the services of persons seeking employment and persons seeking employment may obtain such employment;" according to the bill the national bureau would establish free labor exchanges wherever it thought desirable.

In this preliminary report the Committee has undertaken to do no more than suggest some of the questions it has before it for study. Regarding the public importance of means which will reduce to the smallest possible extent the amount of involuntary unemployment no argument seems necessary in view of the fact that in the United States there are now employed upwards of 10,000,000 persons in manufacturing and mechanical industries and more than 3,000,000 in transportation. That the conduct

of labor exchanges is a public function is plain as a matter of principle, and on January 24 a decision of the United States Supreme Court on a wholly different matter made this clear as a matter of law, too; for the Supreme Court declared that to save men from the toil which can be spared is to serve a public purpose and to do a thing which is at the very foundation of all our achievements and all our welfare. Surely, to save the great number of persons who are in involuntary unemployment from the toil and suffering they have undergone in the past, and to save employers the toil and cost to which they have been subject, would seem a public purpose of the highest importance.

For the Committee on Labor Exchanges,

CHARLES P. NEILL, *Chairman*.

The Americanization of Our Alien Workmen

(Concluded from page 71)

country with a statement on local immigration conditions as indicated by the Census report. Considerable interest is being evidenced and a number of employers have already indicated their desire to secure quantities for use in their own plants.

Immigration Surveys and Practical Work

As a result of the interest aroused through the proposed "America First" dinners and the National Conference on Immigration and Americanization, recently held in Philadelphia, the Boston, Mass., and the New Haven, Conn., Chambers of Commerce are planning to initiate *state-wide* campaigns by holding representative dinners which are to be followed by State Conferences on Immigration. Similar plans are also being made by the Detroit Board of Commerce. The Hammond, Ind., Chamber of Commerce organized on January 7th a vigorous campaign to bring non-English-speaking employees into the night schools.

The Committee now has in hand detailed first hand surveys of the following towns and cities, where the local Chambers of Commerce are members of the National Chamber and is only awaiting an opportunity to present existing immigration conditions to such Chambers: New Haven, Ansonia, Derby, Shelton and Bridgeport, Conn., Dayton, Ohio, Perth Amboy, N. J., and Chester, Allentown and Easton, Pa.

Formation of Americanization Committees

The Boston, Mass., Hammond, Ind., and Youngstown, O., Chambers of Commerce have appointed Committees on Immigration or Americanization to carry out definite programs of work along the lines previously developed by the Detroit and Syracuse Chambers. Other Chambers, such

as those in New Haven, Bridgeport and New Britain, Conn., Rochester and Syracuse, N. Y., San Francisco, Cal., Charleston, S. C., and Elyria, Ohio, are now planning the appointment of similar committees or are about to engage in local work, while existing Committees on Immigration of Chambers of Commerce, such as in Providence, R. I., Minneapolis, Minn., and Wilmington, Del., are planning to enlarge their activities.

Publicity and Education

To carry the work of this new committee to all sections of the country, the organ of the National Chamber, "THE NATION'S BUSINESS" had an article on "Chambers of Commerce and Alien Workmen" and "The Manufacturers' Record," one on "Industry and the Immigrant Workman," the "New York Times—Sunday Supplement," January 16th, had an interview with Mr. John H. Fahey, the president of the National Chamber, while several news releases on the plans and work of the committee have been issued. So much interest has been aroused in its work that business interests from various sections of the country have asked for representation on the committee. Many suggestions and expressions of co-operation have been received.

Chambers of Commerce are invited to send delegates to the First National Conference on Immigration and Americanization held in Philadelphia on January 19th and 20th and a number of them have expressed deep interest and requested reports of the proceedings. Delegates were appointed by Chambers of Commerce in such varying points as Hartford, Conn., Dallas, Texas, San Francisco, Cal., Philadelphia, Pa., Bay City, Mich., and Paterson, N. J.

For the Committee on Immigration,
FRANK TRUMBULL, *Chairman.*

The Arbitration of International Commercial Disputes

(Concluded from page 76)

In approving the agreement the Buenos Aires Chamber made a slight change in phraseology at one point and also inserted a clause limiting the time in which arbitration may be asked under the agreement to 60 days from the time the buyer could have examined goods which are in question, or if no goods are involved, within 60 days of the origin of the controversy. These changes the National Chamber's Committee will probably report with favorable recommendations to the Board of Directors.

The agreement for arbitration contemplates separate rules to govern the actual proceedings. These rules, too, were drafted at the meetings in June, and have been approved as they stand by the Buenos Aires Chamber.

There are still pending before the National Chamber's Committee a question about rules under which, when a con-

troversy goes to arbitration, aggravated damages may be avoided through immediate sale of perishable or seasonal merchandise, etc., and also a question about the possibility of exporters from one country or the other arranging that in the country to which their goods go there might, for limited purposes, be agents who could accept on their behalf notice that arbitration has been requested, thus facilitating the proceedings. When the Committee has arrived at definite conclusions regarding these questions, it will make recommendations to the Board of Directors, with a view to having them transmitted to the Buenos Aires Chamber, if the Board so directs.

Committee on International Commercial Arbitration,
OWEN D. YOUNG, *Chairman.*

How Shall We Get A Merchant Marine?

(Concluded from page 62)

Complaints of Shippers

In referendum No. 9 and accompanying report we dealt fully with past abuses to which American shippers have been forced for many years to submit, pointing out how completely our ports were dominated by alien shipping, how foreign lines established rates at their pleasure to our detriment, these rates being agreed on in London and Hamburg and cabled for enforcement, that freight agreements to ship by certain lines were forced on the shipper, that the large and wealthy shippers were given advantages, that rebate systems existed, claims could not be collected, pre-paid freight was demanded without proper allowance, etc., so we will not again take up such details, but merely refer to them so they will not be forgotten.

The present war has already taught us many lessons and almost daily new issues are arising. We are told that international laws have unfortunately broken down, and that they have been ruthlessly violated by various nations who claim they are justified by reason of the unusual war conditions and the fierceness and bitterness of the unfortunate

struggle. It is too early for the history of international complications to be written, but it is hoped that the lesson will be studied and learnt by us, and that we will not fail to see its application so far as our Marine necessities are in question, and that the United States will never again be placed in the predicament and humiliating position which is ours today.

Your Committee would recommend that the principles approved by Referendum Number 9 be reaffirmed and Congress be urged to take action in accordance therewith at its present session.

Your Committee has criticised and commented upon the present Administration Shipping Bill in the report, but it recommends that if the Board shall find it advisable to ascertain the views of our constituent bodies thereon a referendum be sent out on this bill during its progress in Congress.

For the Committee on Merchant Marine,

WILLIAM HARRIS DOUGLAS, *Chairman.*

[THE END]